OFFICIAL STATEMENT DATED APRIL 26, 2022

NEW ISSUE, BOOK-ENTRY ONLY	**Ratings:**	**Fitch Ratings:**	**AA+**
		Moody's:	**Aaa**
		S&P:	**AA+**

(See "OTHER BOND INFORMATION —Bond Ratings.")

STATE OF WASHINGTON

$860,680,000 Various Purpose General Obligation Refunding Bonds, Series R-2022C
$499,700,000 MVFT General Obligation Refunding Bonds, Series R-2022D

Dated: Date of Initial Delivery | **Due: See pages ii and iii**

The Various Purpose General Obligation Refunding Bonds, Series R-2022C (the "Series R-2022C Bonds"), and the Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2022D (the "Series R-2022D Bonds") referenced above (each a "Series" and, collectively, the "Bonds"), are general obligations of the State of Washington (the "State") to which the State has irrevocably pledged its full faith, credit, and taxing power.

In addition to this pledge, the Series R-2022D Bonds are first payable from additional pledged revenues from certain State excise taxes on motor vehicle and special fuels ("MVFT"). See "SECURITY FOR THE BONDS."

Interest on each Series of the Bonds is payable semiannually on the dates as follows:

Series R-2022C Bonds	on each January 1 and July 1, beginning July 1, 2022
Series R-2022D Bonds	on each January 1 and July 1, beginning July 1, 2022

Principal of each Series of the Bonds is payable as shown on pages ii and iii. Each Series of the Bonds is subject to redemption prior to maturity at the times and prices set forth under "DESCRIPTION OF THE BONDS—Redemption Provisions."

The Series R-2022C Bonds are being issued (i) to refund all of the callable Various Purpose General Obligation Refunding Bonds, Series R-2012C, Various Purpose General Obligation Bonds, Series 2013A and Various Purpose General Obligation Refunding Bonds, Series R-2013A; and (ii) to pay the costs of issuing the Series R-2022C Bonds and administering the refunding. The Series R-2022D Bonds are being issued (i) to refund all of the callable MVFT General Obligation Refunding Bonds, Series R-2012D, MVFT General Obligation Bonds, Series 2013B-1, and MVFT General Obligation Refunding Bonds, Series R-2013B; and (ii) to pay the costs of issuing the Series R-2022D Bonds and administering the refunding. See "AUTHORIZATION" and "SOURCES AND USES OF FUNDS."

The Bonds are issuable as fully registered bonds under a book-entry only system, initially registered in the name of Cede & Co. (the "Registered Owner"), as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will serve as securities depository for the Bonds. The Bonds will be issued in denominations of $5,000 each or any integral multiple thereof within a single maturity of each Series. Principal of and interest on the Bonds are payable to DTC by the fiscal agent of the State, as paying agent and registrar (the "Bond Registrar") (currently U.S. Bank Trust Company, National Association), for subsequent disbursement by DTC to beneficial owners of the Bonds, as described under "DESCRIPTION OF THE BONDS—Book-Entry System."

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied after the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "TAX MATTERS."

The Bonds are offered when, as, and if issued, subject to receipt of an approving opinion of Foster Garvey P.C., Seattle, Washington, Bond Counsel to the State, and certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the State by Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, as Disclosure Counsel to the State. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about May 11, 2022.

No dealer, broker, salesperson, or other person has been authorized by the State to give any information or to make any representations with respect to the State or to any Series of the Bonds other than those contained in this Official Statement (including all appendices hereto, the "Official Statement") and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from sources that the State believes to be current and reliable. However, the State makes no representation regarding the accuracy or completeness of the information in Appendix E—DTC AND ITS BOOK-ENTRY SYSTEM, which has been obtained from DTC's website, or other information provided by third parties. Estimates and opinions should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions, and such summaries are qualified by references to the entire contents of the summarized documents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

In connection with the offering of each Series of the Bonds, the successful bidder for such Series may over allot or effect transactions that stabilize or maintain the market price of those Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

The presentation of certain information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily be repeated in the future.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions that existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the State, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the State that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or as guarantees of results. If and when included in this Official Statement, the words "plan," "expect," "forecast," "estimate," "budget," "project," "intends," "anticipates" and similar words are intended to identify forward-looking statements. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions; events relating to the global COVID-19 pandemic; changes in political, social, and economic conditions; regulatory initiatives and compliance with governmental regulations; litigation; and various other events, conditions, and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date they were prepared.

The Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exception contained in such act.

The websites of the State and its departments or agencies are not part of this Official Statement. Investors should not rely on information presented in such websites, or on any other website referenced herein, in determining whether to purchase the Bonds. Information appearing on any such website is not incorporated by reference in this Official Statement.

STATE OF WASHINGTON
$860,680,000
Various Purpose General Obligation Refunding Bonds, Series R-2022C

Due July 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP(1)
2022	$ 14,535,000	5.000%	1.300%	100.509	93974EVR4
2023	85,420,000	5.000	2.020	103.335	93974EVS2
2024	89,910,000	5.000	2.300	105.601	93974EVT0
2025	107,220,000	5.000	2.450	107.656	93974EVU7
2026	112,300,000	4.000	2.500	105.860	93974EVV5
2027	117,005,000	4.000	2.600	106.691	93974EVW3
2028	110,315,000	4.000	2.670	107.482	93974EVX1
2029	73,630,000	4.000	2.730	108.184	93974EVY9
2030	32,110,000	4.000	2.800	108.676	93974EVZ6
2031	14,930,000	4.000	2.900	108.772	93974EWA0
2032	15,545,000	4.000	3.000	108.683	93974EWB8
2033	16,170,000	4.000	3.100(2)	107.775	93974EWC6
2034	16,835,000	4.000	3.210(2)	106.787	93974EWD4
2035	17,530,000	4.000	3.290(2)	106.075	93974EWE2
2036	18,235,000	4.000	3.360(2)	105.457	93974EWF9
2037	18,990,000	4.000	3.410(2)	105.018	93974EWG7
	$ 860,680,000				

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(2) Yield calculated to the July 1, 2032 par call date.

STATE OF WASHINGTON
$499,700,000
Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2022D

Due July 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP[1]
2022	$ 7,720,000	5.000%	1.300%	100.509	93974EWH5
2023	43,455,000	5.000	2.020	103.335	93974EWJ1
2024	46,765,000	5.000	2.300	105.601	93974EWK8
2025	58,865,000	5.000	2.450	107.656	93974EWL6
2026	62,230,000	4.000	2.500	105.860	93974EWM4
2027	61,825,000	4.000	2.630	106.542	93974EWN2
2028	66,020,000	4.000	2.670	107.482	93974EWP7
2029	36,340,000	4.000	2.750	108.049	93974EWQ5
2030	18,855,000	4.000	2.800	108.676	93974EWR3
2031	7,075,000	4.000	2.900	108.772	93974EWS1
2032	6,045,000	4.000	3.020	108.501	93974EWT9
2033	7,665,000	4.000	3.110[2]	107.685	93974EWU6
2034	7,980,000	4.000	3.210[2]	106.787	93974EWV4
2035	7,520,000	4.000	3.290[2]	106.075	93974EWW2
2036	8,635,000	4.000	3.350[2]	105.545	93974EWX0
2037	6,015,000	4.000	3.400[2]	105.105	93974EWY8
2038	9,340,000	4.000	3.440[2]	104.755	93974EWZ5
2039	9,730,000	4.000	3.460[2]	104.581	93974EXA9
2040	10,120,000	4.000	3.470[2]	104.494	93974EXB7
2041	10,535,000	4.000	3.480[2]	104.407	93974EXC5
2042	6,965,000	4.000	3.500[2]	104.233	93974EXD3
	$ 499,700,000				

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(2) Yield calculated to the July 1, 2032 par call date.

STATE FINANCE COMMITTEE

OF THE

STATE OF WASHINGTON

MIKE PELLICCIOTTI......................................Treasurer and Chair

JAY INSLEE ....Governor and Member

DENNY HECK...........................Lieutenant Governor and Member

---

Jason P. Richter................................ Deputy State Treasurer—Debt Management

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OFFICIAL STATEMENT

STATE OF WASHINGTON

$860,680,000 Various Purpose General Obligation Refunding Bonds, Series R-2022C

$499,700,000 MVFT General Obligation Refunding Bonds, Series R-2022D

INTRODUCTION

The State of Washington (the "State") provides this Official Statement in connection with the offering and sale of the above-captioned bonds (each a "Series" and, collectively, the "Bonds").

This Official Statement, which includes the cover page, inside cover page and appendices, provides information concerning the State and the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references to and summaries of certain provisions of the Washington State Constitution and laws of the State and any other documents and agreements referred to herein do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof. Certain financial information regarding the State has been taken or derived from the audited financial statements and other financial reports of the State. General and economic information about the State is included in Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION, and audited financial statements for the State's Fiscal Year ended June 30, 2021, are included as Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

This Official Statement is not to be construed as a contract between the State and the owners of the Bonds.

This Official Statement presents both historical data and forecast data. The forecast information is a "forward-looking statement." No assurance can be given that the forecast results described will be achieved, and actual results may differ materially from those expressed or implied. Any forecast speaks only as of its date; additional or different effects may emerge or become apparent subsequent to the forecast date that would not be reflected in the forecast.

This Official Statement presents information and statistical data covering the period affected by the COVID-19 pandemic beginning in early 2020. Readers should exercise particular caution when reviewing historical and comparative year-over-year data covering this period.

AUTHORIZATION

State Finance Committee

The State Legislature (the "Legislature") has delegated to the State Finance Committee (the "SFC") authority to supervise and control the issuance of all State bonds and other State obligations authorized by the Legislature. The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer (the "Treasurer"). The Treasurer is the Chair of the SFC, and the Office of the State Treasurer provides administrative support to the SFC. A Deputy State Treasurer acts as recording officer for the SFC and is responsible for the administration of its official duties in accordance with prescribed policies of the SFC.

The SFC may delegate to the Treasurer the authority, by resolution, to accept offers to purchase bonds or other evidences of indebtedness of the State and to determine the date, price, principal amounts, interest rate or rates (or mechanisms for determining the interest rate or rates); and other terms and conditions of such obligations as the SFC may deem appropriate.

Authorization

Series R-2022C Bonds (Various Purpose GO Bonds). The Various Purpose General Obligation Refunding Bonds, Series R-2022C (the "Series R-2022C Bonds") in the principal amount of $860,680,000 are being issued pursuant to Chapters 39.42 and 39.53 RCW; and Resolution No. 1249 of the SFC and Resolution No. 1258 of the SFC acting by and through the Treasurer (together, the "Series R-2022C Resolution").

Series R-2022D Bonds (MVFT GO Bonds). The Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2022D (the "Series R-2022D Bonds") in the principal amount of $499,700,000 are being issued pursuant to Chapters 39.42 and 39.53 RCW; and Resolution No. 1249 of the SFC and Resolution No. 1259 of the SFC acting by and through the Treasurer (together, the "Series R-2022D Resolution").

Together, the Series R-2022C Resolution and Series R-2022D Resolution are referred to as the "Bond Resolutions."

DESCRIPTION OF THE BONDS

Terms of the Bonds

The Bonds are dated the date of their initial delivery and will be issued as fully registered, book-entry only bonds in the denominations of $5,000 each or any integral multiple thereof within a single maturity of each Series.

Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable semiannually at the rates shown on pages ii and iii, on the dates as follows:

Series R-2022C Bonds	on each January 1 and July 1, beginning July 1, 2022
Series R-2022D Bonds	on each January 1 and July 1, beginning July 1, 2022

Principal of each Series of the Bonds is payable on the dates in the years and amounts shown on pages ii and iii.

Redemption Provisions

Optional Redemption. The State reserves the right to redeem the Bonds (as set forth below) in whole or in part, on any date on or after the respective call dates set forth below, at a price equal to 100% of the aggregate principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

Series	Callable Maturities	Call Date
Series R-2022C Bonds	Bonds maturing on or after July 1, 2033	July 1, 2032
Series R-2022D Bonds	Bonds maturing on or after July 1, 2033	July 1, 2032

In the event of an optional redemption of a Series of the Bonds, the State shall select the Series and maturities to be redeemed, and the Bond Registrar shall randomly select the Bonds for redemption within those maturities.

Mandatory Sinking Fund Redemptions of Term Bonds. None of the Bonds are Term Bonds subject to mandatory sinking fund redemption prior to maturity.

Partial Redemption. If less than all of a Series of the Bonds is to be redeemed at the option of the State, the State will select the Series and maturity or maturities to be redeemed. If less than all of any maturity of a Series is to be redeemed, those Bonds or portions thereof to be redeemed will be selected in a random method by the Bond Registrar or DTC, as applicable, in accordance with their respective standard procedures. Any Bond in the principal amount of greater than $5,000 may be partially redeemed in any integral multiple of $5,000.

Notice of Redemption; Rescission of Notice of Optional Redemption. While the Bonds are held in book-entry only form, notice of redemption will be given only in accordance with the operational arrangements then in effect at DTC, and the Bond Registrar is not required to give any other notice of redemption. If the Bonds cease to be in book-entry only form, notice of redemption will be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Bond to be redeemed at the address appearing on the bond register maintained by the Bond Registrar.

Any optional redemption is conditioned on receipt by the Bond Registrar of sufficient funds for the redemption. In addition, the State has reserved the right to rescind a redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled redemption date.

Purchase of Bonds

The State has reserved the right to purchase any of the Bonds offered for sale to the State at any time and at any price.

Defeasance

Each Bond Resolution provides that if money and/or "Government Obligations" (as defined in Chapter 39.53 RCW, as now in existence or hereafter amended) maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of the principal of and interest on all or a designated portion of a Series of the Bonds when due in accordance with their respective terms are set aside in a special fund (the "trust account") to effect such payment, and are pledged irrevocably in accordance with a refunding plan adopted by the State for the purpose of effecting such payment, then no further payments need be made into the appropriate bond fund for the payment of principal of and interest on such Bonds, the Registered Owners thereof shall cease to be entitled to any lien, benefit or security of the respective Bond Resolution, except the right to receive payment of the principal of and interest on such Bonds when due in accordance with their respective terms from the money and the principal and interest proceeds on the Government Obligations set aside in the trust account, and such Bonds shall no longer be deemed to be outstanding under the Bond Resolution.

Although as a matter of internal policy the State uses only direct obligations of the United States of America and obligations guaranteed by the United States of America in defeasance escrows, each Bond Resolution permits the use of any Government Obligations as defined in Chapter 39.53, as it may be amended from time to time. That statutory definition currently includes: (1) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and bank certificates of deposit secured by such obligations; (2) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks, or the Federal National Mortgage Association; (3) public housing bonds and project notes fully secured by contracts with the United States; and (4) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

Payment of the Bonds; Fiscal Agent and Paying Agent

Pursuant to authority granted in Chapter 43.80 RCW, the SFC appoints one or more fiscal agents for the State with the authority to act as paying agent, transfer agent, authenticating agent, and bond registrar for all obligations issued by the State and its political subdivisions. The fiscal agent appointed by the SFC from time to time is herein referred to as the Fiscal Agent or the Bond Registrar. The SFC currently has a contract with U.S. Bank Trust Company, National Association to act as the Fiscal Agent for a term that began February 1, 2015, and continues through January 31, 2023. Under the terms of the current fiscal agency contract, U.S. Bank Trust Company, National Association will authenticate the Bonds for delivery to DTC and will remit payments received from the State as principal and interest to DTC. See "DESCRIPTION OF THE BONDS—Book-Entry System."

For so long as the Bonds are in book-entry form and held by DTC, payments of principal of and interest on the Bonds will be made as provided in the operational arrangements of DTC as described in the Letter of Representations. See Appendix E—DTC AND ITS BOOK-ENTRY SYSTEM.

Book-Entry System

DTC will act as initial securities depository for the Bonds. When issued, the Bonds will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee of DTC. Individual purchases will be made in book-entry form only through DTC, and purchasers will not receive physical certificates representing their interests in the Bonds purchased. For information about DTC and its book-entry system, see Appendix E—DTC AND ITS BOOK-ENTRY SYSTEM.

Neither the State nor the Bond Registrar will have any responsibility or any liability to the beneficial owners for any error, omission, action, or failure to act on the part of DTC or any Direct Participant or Indirect Participant of DTC with respect to the following: (1) proper recording of beneficial ownership interests of the Bonds or confirmation of their ownership interest; (2) proper transfers of such beneficial ownership interests; (3) the payment, when due, to the beneficial owners of principal of and premium, if any, or interest on the Bonds; (4) any notices to beneficial owners; (5) any consent given; or (6) any other DTC or Participant error, omission, action or failure to act pertaining to the Bonds.

Termination of Book-Entry System. If DTC resigns as the securities depository and no substitute can be obtained, or if the State determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain bond certificates, the ownership of the Bonds may be transferred to any person as described in the Bond Resolutions, and the Bonds no longer will be held in fully immobilized form. New bond certificates then will be issued in appropriate denominations and registered in the names of the beneficial owners. Thereafter, interest on the Bonds will be paid by check or draft mailed (or by wire transfer to a Registered Owner) to the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds will be payable upon presentation and surrender of such Bonds by the Registered Owners to the Bond Registrar. See Appendix E—DTC AND ITS BOOK-ENTRY SYSTEM.

SOURCES AND USES OF FUNDS

The following table shows the sources and uses of proceeds to be received from the sale of the Bonds:

Sources and Uses

	R-2022C	R-2022D	Total
Sources			
Par Amount of Bonds	$ 860,680,000.00	$ 499,700,000.00	$ 1,360,380,000.00
Original Issue Premium	55,714,648.65	31,417,909.20	87,132,557.85
Cash Contribution to Refunding Escrow	--	2,377,110.07	2,377,110.07
Total Sources	$ 916,394,648.65	$ 533,495,019.27	$ 1,449,889,667.92
Uses			
Deposit to Refunding Escrow	$ 915,022,516.50	$ 532,476,586.05	$ 1,447,499,102.55
Costs of Issuance(1)	341,068.00	198,021.00	539,089.00
Underwriting Spread	933,696.84	762,301.24	1,695,998.08
Additional Proceeds	97,367.31	58,110.98	155,478.29
Total Uses	$ 916,394,648.65	$ 533,495,019.27	$ 1,449,889,667.92

(1) Includes fees for services of the rating agencies, municipal advisors, Bond Counsel and Disclosure Counsel, and other costs of issuing the Bonds and administering the refunding of the Refunded Bonds.

Plan of Refunding

Series R-2022C Bonds (Various Purpose GO Bonds). The Series R-2022C Bonds are being issued to carry out a current refunding of all of the Series R-2012C Bonds, Series 2013A Bonds, and Series R-2013A Bonds identified below (the "Series R-2022C Refunded Bonds"), and to pay the costs of issuing the Series R-2022C Bonds, including the costs of administering the refunding.

SERIES R-2022C REFUNDED BONDS

Various Purpose General Obligation Refunding Bonds, Series R-2012C
(Dated February 21, 2012)

Maturity Date (July 1)	Refunded Principal	Interest Rate	CUSIP No.	Call Date
2023	$ 54,565,000	5.000%	93974CJ27	7/01/2022
2024	57,480,000	5.000	93974CJ35	7/01/2022
2025	85,605,000	5.000	93974CJ43	7/01/2022
2026	90,140,000	5.000	93974CJ50	7/01/2022
2027	94,420,000	4.000	93974CJ68	7/01/2022
2028	86,080,000	4.000	93974CJ76	7/01/2022
2029	45,325,000	3.000	93974CJ84	7/01/2022
Total	$ 513,615,000			

Various Purpose General Obligation Bonds, Series 2013A
(Dated August 2, 2012)

Maturity Date (August 1)	Refunded Principal	Interest Rate	CUSIP No.	Call Date
2023	$ 10,960,000	5.000%	93974CY53	8/01/2022
2024	11,525,000	5.000	93974CY61	8/01/2022
**	**	**	**	**
2029	14,635,000	3.000	93974CZ37	8/01/2022
2030	15,175,000	4.000	93974CZ45	8/01/2022
2031	15,785,000	4.000	93974CZ52	8/01/2022
2032	16,435,000	4.000	93974CZ60	8/01/2022
2033	17,110,000	4.000	93974CZ78	8/01/2022
2034	17,805,000	4.000	93974CZ86	8/01/2022
2035	18,535,000	4.000	93974CZ94	8/01/2022
2036	19,290,000	4.000	93974C2A7	8/01/2022
2037	20,080,000	4.000	93974C2B5	8/01/2022
Total	$ 177,335,000			

Various Purpose General Obligation Refunding Bonds, Series R-2013A
(Dated September 6, 2012)

Maturity Date (July 1)	Refunded Principal	Interest Rate	CUSIP No.	Call Date
2023	$ 25,125,000	5.000%	93974C4M9	7/01/2022
2024	26,415,000	5.000	93974C4N7	7/01/2022
2025	27,625,000	4.000	93974C4P2	7/01/2022
2026	28,760,000	4.000	93974C4Q0	7/01/2022
2027	29,925,000	4.000	93974C4R8	7/01/2022
2028	31,135,000	4.000	93974C4S6	7/01/2022
2029	18,010,000	3.000	93974C4T4	7/01/2022
2030	18,650,000	4.000	93974C4U1	7/01/2022
Total	$ 205,645,000			

Series R-2022D Bonds (MVFT GO Bonds). The Series R-2022D Bonds are being issued to carry out a current refunding of all of the Series R-2012D Bonds, Series 2013B-1 Bonds, and Series R-2013B Bonds identified below (the "Series R-2022D Refunded Bonds"), and to pay the costs of issuing the Series R-2022D Bonds, including the costs of administering the refunding.

SERIES R-2022D REFUNDED BONDS

Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2012D
(Dated February 21, 2012)

Maturity Date (July 1)	Refunded Principal	Interest Rate	CUSIP No.	Call Date
2023	$ 15,205,000	5.000%	93974CL24	7/01/2022
2024	17,520,000	5.000	93974CL32	7/01/2022
2025	29,395,000	5.000	93974CL40	7/01/2022
2026	30,805,000	4.000	93974CL57	7/01/2022
2027	32,125,000	4.000	93974CL65	7/01/2022
2028	31,725,000	4.000	93974CL73	7/01/2022
2029	16,420,000	3.000	93974CL81	7/01/2022
Total	$ 173,195,000			

Motor Vehicle Fuel Tax General Obligation Bonds, Series 2013B-1
(Dated August 2, 2012)

Maturity Date (August 1)	Refunded Principal	Interest Rate	CUSIP No.	Call Date
2023	$ 5,450,000	5.000%	93974C2N9	8/01/2022
2024	5,110,000	2.500	93974C2P4	8/01/2022
2025	5,260,000	5.000	93974C2Q2	8/01/2022
2026	6,175,000	5.000	93974C2R0	8/01/2022
2027	3,325,000	3.000	93974C2S8	8/01/2022
2028	6,620,000	3.000	93974C2T6	8/01/2022
2029	4,615,000	4.000	93974C2U3	8/01/2022
2030	7,120,000	4.000	93974C2V1	8/01/2022
2031	7,405,000	4.000	93974C2W9	8/01/2022
2032	6,385,000	4.000	93974C2X7	8/01/2022
2033	8,020,000	4.000	93974C2Y5	8/01/2022
2034	8,345,000	4.000	93974C2Z2	8/01/2022
2035	7,905,000	4.000	93974C3A6	8/01/2022
2036	9,040,000	4.000	93974C3B4	8/01/2022
2037	6,435,000	4.000	93974C3C2	8/01/2022
2042(1)	49,060,000	4.000	93974C3D0	8/01/2022
Total	$ 146,270,000			

(1) Term Bond

Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2013B
(Dated September 6, 2012)

Maturity Date (July 1)	Refunded Principal	Interest Rate	CUSIP No.	Call Date
2023	$ 25,430,000	5.000%	93974C3V0	7/01/2022
2024	26,910,000	5.000	93974C3W8	7/01/2022
2025	28,220,000	5.000	93974C3X6	7/01/2022
2026	29,620,000	5.000	93974C3Y4	7/01/2022
2027	30,930,000	3.000	93974C3Z1	7/01/2022
2028	31,980,000	3.000	93974C4A5	7/01/2022
2029	17,210,000	3.000	93974C4B3	7/01/2022
2030	12,530,000	3.125	93974C4C1	7/01/2022
Total	$ 202,830,000			

Refunding Escrow. In connection with the issuance of the Series R-2022C Bonds and the Series R-2022D Bonds, the State will enter into an Escrow Deposit Agreement (the "Escrow Agreement") with U.S. Bank Trust Company, National Association as escrow agent (the "Escrow Agent"). The Escrow Agreement will provide for the refunding of the Refunded Bonds. The Escrow Agreement creates irrevocable trust funds to be held by the Escrow Agent and to be applied solely to the payment of the applicable Refunded Bonds. The proceeds of the applicable Series of Bonds required to carry out the plan of refunding, together with a cash contribution from the State with respect to the plan of refunding in connection with the Series R-2022D Refunded Bonds, will be deposited with the Escrow Agent and held in cash and/or invested in Government Obligations that will mature and bear interest at rates sufficient to pay the principal of and accrued interest coming due on the respective redemption dates of the Refunded Bonds. The money and Government Obligations, if any, and earnings thereon described above will be held solely for the benefit of the Registered Owners of the Refunded Bonds.

Verification of Escrow Sufficiency. The mathematical accuracy of the computations of the adequacy of the money and maturing principal amounts of and interest on the Government Obligations, if any, to be held by the Escrow Agent to pay principal of and interest on the Refunded Bonds as described above, will be verified by Causey Demgen & Moore P.C.

SECURITY FOR THE BONDS

Pledge of Full Faith and Credit

Each Series of the Bonds constitutes a general obligation of the State, to the payment of which the State has irrevocably pledged the full faith, credit, and taxing power of the State, as provided in the State Constitution and in each Bond Resolution. The State Constitution requires the Legislature to provide by appropriation for the payment of the principal of and interest on the State's general obligation bonds as they become due, and provides that in any event, any court of record may compel such payment. There is no express provision in the State Constitution or in State law on the priority of payment of debt service on State debt as compared to the payment of other State obligations. No other provision of the State Constitution contains comparable language providing the courts with authority to compel payment of other State obligations. See Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Authorization of Debt and Other Financial Obligations—*General State Revenues*").

Both Series of the Bonds are issued as general obligation bonds to which the State has irrevocably pledged its full faith, credit, and taxing power.

Various Purpose GO Bonds – Series R-2022C Bonds

The Series R-2022C Bonds are issued as Various Purpose GO Bonds to which the State has irrevocably pledged its full faith, credit, and taxing power.

MVFT General Obligation Bonds – Series R-2022D Bonds

The Series R-2022D Bonds are issued as Motor Vehicle Fuel Tax General Obligation Bonds. In addition to the full faith and credit pledge described above, the Series R-2022D Bonds are first payable from additional pledged revenues from certain State excise taxes on motor vehicle and special fuels ("MVFT").

Funds required to pay the principal of and interest on the Series R-2022D Bonds when due is to be taken from that portion of MVFT revenues distributed to the accounts in the Motor Vehicle Fund pertaining to the original MVFT GO Bonds to which the Series R-2022D are allocated, in accordance with the legislation that authorized such original MVFT GO Bonds.

In the legislation authorizing the issuance of the Series R-2022D Bonds, the Legislature has agreed to continue to impose the MVFT in amounts sufficient to pay when due the principal of and interest on all bonds issued under the authority of such legislation, including the Series R-2022D Bonds to which MVFT is pledged. The legislation also provides that the pledge of MVFT revenues in respect of the Series R-2022D Bonds shall never constitute a charge against any allocations of MVFT revenues to the State, counties, cities, and towns unless the amount arising from the imposition of the MVFT that is distributed to the State in the applicable accounts in the Motor Vehicle Fund proves insufficient to meet the debt service requirements for the Series R-2022D Bonds and any outstanding or additional MVFT GO Bonds.

In the Series R-2022D Bond Resolution, the SFC on behalf of the State pledges to the payment of principal of the Series R-2022D Bonds and the interest thereon the proceeds of the MVFT and provides that the charge on such MVFT for the payment of the principal of and interest on the Series R-2022D Bonds shall be equal to the charge on such MVFT for the payment of the principal of and interest on any outstanding MVFT GO Bonds, MVFT/VRF GO Bonds, and Triple Pledge Bonds, as described below.

Pledges of MVFT & VRF Revenues to Payment of Transportation-Related Bonds

The Legislature has authorized the State to pledge certain transportation-related revenues to three types of outstanding transportation-related indebtedness:

- **MVFT General Obligation Bonds** – Motor vehicle fuel tax general obligation bonds (also referred to as "MVFT GO Bonds") are secured by a pledge of certain State excise taxes on motor vehicle fuel imposed by Chapter 82.38 RCW ("MVFT") in addition to the State's full faith and credit.

- **MVFT/VRF General Obligation Bonds** – Motor vehicle fuel tax and vehicle related fees general obligation bonds (also referred to as "MVFT/VRF GO Bonds") are secured by a pledge of MVFT revenues and certain vehicle-related fees imposed under Title 46 RCW that constitute license fees for motor vehicles ("VRFs"), in addition to the State's full faith and credit.

- **Triple Pledge Bonds** – Triple Pledge Bonds are secured, first, by a pledge of revenues from certain toll facilities; second, by a pledge of MVFT (or MVFT and VRF) revenues; and, third, by the State's full faith and credit.

See Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("STATE DEBT AND OTHER FINANCIAL OBLIGATIONS–Transportation-Related Bonds").

The State may in the future issue additional MVFT GO Bonds, MVFT/VRF GO Bonds, and Triple Pledge Bonds without notice to or approval of holders of outstanding MVFT GO Bonds or MVFT/VRF GO Bonds. There is no priority as to the MVFT revenues among MVFT GO Bonds, MVFT/VRF GO Bonds, or Triple Pledge Bonds in the legislation or the SFC resolutions authorizing the issuance of any such bonds.

Transportation-related bonds that relate to a specific transportation program (e.g., the Connecting Washington Account ("CWA"), the transportation 2003 account ("Nickel Account"), or the Transportation Partnership Account ("TPA"), as identified in the relevant legislation and authorizing resolutions) and the related bonds are made first payable from MVFT revenues distributed to the accounts within the Motor Vehicle Fund designated for the relevant transportation program. See Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Motor Vehicle Fuel Taxes*").

Payment of Bonds

The SFC is required, on or before the end of each State fiscal year (June 30), to certify to the Treasurer the amount required to pay principal of and interest on each Series of the Bonds in the next Fiscal Year. The Treasurer, subject to the applicable provisions of the various State statutes authorizing the various Series of the Bonds, is required to withdraw from any general State revenues received in the State Treasury (or from any available funds in the Motor Vehicle Fund, as to the Series R-2022D Bonds), and to deposit in the appropriate bond fund, on or before the respective interest or principal and interest payment dates, such amounts as are required to pay debt service on each Series of the Bonds.

STATE FINANCIAL INFORMATION

Outstanding Bonds, Future Sales of Bonds, Certificates and Other Obligations

A list of the State's currently outstanding bonds is attached to this Official Statement as Appendix B—BONDS OUTSTANDING.

The State plans to issue Certificates of Participation in certain Master Financing Agreements of the State relating to various State and local agency financing contracts, which are expected to price on or about June 8, 2022, and are expected to close on or about June 28, 2022. In addition, when and if market conditions allow, the State will consider refundings of outstanding bonds, certificates of participation, and other obligations.

The State's expectations regarding future issuance of additional general obligation bonds and certificates of participation are further described in Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Future Financings.

Financial Statements

Audited financial statements for the State for the fiscal year ended June 30, 2021, are included as Appendix D. These statements have been audited by the Auditor, an independent elected official. As described under "CONTINUING DISCLOSURE UNDERTAKING," the State is obligated to provide its audited financial statements to the Municipal Securities Rulemaking Board.

Budgets and Forecasts

The State budgets on a biennial basis. The first year of the 2021-23 Biennium began on July 1, 2021. The adopted biennial budgets and supplemental budgets are described in Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("STATE BUDGETING AND FORECASTING").

Economic and Revenue Forecast Council. Pursuant to State law, the Economic and Revenue Forecast Council (the "ERFC") provides the official Economic and Revenue Forecasts on a quarterly basis, in each March (February in even-numbered years), June, September, and November. It also provides monthly Economic and Revenue Updates ("Monthly Revenue Updates"), reporting unaudited monthly revenue collections and updating economic conditions. It provides an official State Budget Outlook each January for use in the budgeting process, and again 30 days following enactment of an operating budget. As described in Appendix A, State law requires that State budgets and any necessary budgetary actions of the Governor during a fiscal period be based upon the ERFC's forecasts and publications.

The ERFC's most recent quarterly Economic and Revenue Forecast was released on February 16, 2022 (the "February 2022 Quarterly Forecast"). The next Quarterly Forecast is scheduled to be released on June 22, 2022. The most recent Monthly Revenue Update was released on April 14, 2022. The most recent official State Budget Outlook was approved by the ERFC on April 14, 2022. See Appendix A—STATE GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION ("STATE BUDGETING AND FORECASTING—Highlights from Recent Economic and Revenue Forecast Council Publications").

Transportation Revenue Forecast Council. In addition, the State Transportation Revenue Forecast Council monitors and prepares forecasts of major transportation revenues including MVFT collections, VRF revenues, and toll revenues. The most recent quarterly TRFC Forecast was released on February 16, 2022. The next quarterly Transportation Revenue Forecast is expected to be released on or about June 22, 2022. See Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("TRANSPORTATION REVENUES AND EXPENDITURES—Transportation Revenue Forecasts").

LEGAL INFORMATION

Bankruptcy

The State is not eligible to file for protection under federal bankruptcy laws.

Litigation

Based on an inquiry with the Attorney General's Office, there is, as of the date of this Official Statement, no litigation pending against the State in any way restraining or enjoining the sale, issuance or delivery of the Bonds, or in any manner challenging the validity of the Bonds, the security for the Bonds, the Bond Resolutions or the collection of revenues pledged for the payment of the Bonds.

The State and its agencies are parties to routine legal proceedings that normally occur as a consequence of regular governmental operations. At any given point, there are lawsuits involving State agencies that could, depending on the outcome of the litigation or the terms of a settlement agreement, impact the State's budget and expenditures to one degree or another. See Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("SPECIAL INVESTOR CONSIDERATIONS—Litigation").

Risk Management

The State operates a self-insurance liability program for third-party claims against the State for injuries and property damage and purchases a limited amount of commercial insurance for these claims. The State maintains a risk management fund. See Notes 7.E, 7.G, and 10 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS and see Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("INVESTMENTS, FINANCIAL POLICIES, AND RISK MANAGEMENT—Risk Management").

Ballot Measures

Under the State Constitution, the voters of the State have the ability to initiate legislation by initiative, and by referendum to modify, approve or reject all or a part of recently enacted legislation. Initiatives are new legislation proposed to the State Legislature or for voter approval by petition of the voters. Referenda can be required on recently-enacted legislation through a petition of the voters, or a referendum on new legislation may be required by the State Legislature itself. The State Constitution may not be amended by initiative or referendum. See Appendix A—STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION ("SPECIAL INVESTOR CONSIDERATIONS—Ballot Measures").

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds by the State are subject to the approving legal opinion of Foster Garvey P.C., Bond Counsel to the State. The proposed forms of the opinions of such firm with respect to each Series of the Bonds are attached hereto as Appendix C. The opinions of Bond Counsel are given based on factual representations made to Bond Counsel and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinions of Bond Counsel are an expression of its professional judgment on the matters expressly addressed in its opinions and do not constitute a guarantee of result. In addition, certain legal matters will be passed upon for the State by Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, as Disclosure Counsel to the State.

Potential Conflicts

Some or all of the fees of Bond Counsel and Disclosure Counsel are contingent on the sale of the Bonds. From time to time Bond Counsel or Disclosure Counsel may serve as counsel to parties involved with the Bonds in transactions other than the issuance of the Bonds.

TAX MATTERS

Tax-Exemption of the Bonds

Exclusion From Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. The State is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of the proceeds of the Bonds and the facilities financed or refinanced with proceeds of the Bonds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Bonds. The State has covenanted in the Bond Resolutions for the Bonds to comply with those requirements, but if the State fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the State's compliance with such requirements.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences

Bonds <u>Not</u> "Qualified Tax-Exempt Obligations" for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than $10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax-exempt obligations," only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The State is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than $10,000,000 of tax-exempt obligations during the current calendar year and has not designated the Bonds as "qualified tax-exempt obligations" for purposes of the 80% financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Bonds is deductible for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 25% of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

Potential Future Federal Tax Law Changes. From time to time, there are legislative proposals in Congress which, if enacted into law, could require changes in the description of federal tax matters relating to the Bonds set forth above or adversely affect the tax treatment, market value or marketability of the Bonds. It cannot be predicted whether future legislation may be proposed or enacted that would affect the federal tax treatment of interest received on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any proposed or pending legislation that would change the federal tax treatment of interest on the Bonds.

Original Issue Premium. All of the Bonds have been sold at prices reflecting original issue premium ("Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), the State has entered into a written undertaking to provide continuing disclosure for the benefit of the holders and beneficial owners of the Bonds (the "Undertaking").

Annual Disclosure Report. The State covenants and agrees that not later than seven months after the end of each Fiscal Year (the "Submission Date"), beginning with the fiscal year ending June 30, 2022, the State will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, an annual report (the "Annual Disclosure Report"), which will consist of the following:

(1) audited financial statements of the State prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (except as noted in the financial statements), as such principles may be changed from time to time, except that if the audited financial statements are not available by the Submission Date, the Annual Disclosure Report will contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the State, and the State's audited financial statements will be filed in the same manner as the Annual Disclosure Report when and if they become available;

(2) historical financial and operating data for the State of the type set forth in Appendix A; and

(3) a narrative explanation of any reasons for any amendments to the Undertaking made during the previous fiscal year and the effect of such amendments on the Annual Disclosure Report being provided.

The State regularly updates Appendix A, which may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the Internet website of the MSRB or filed with the SEC. The State will clearly identify each document so included by reference. The MSRB makes continuing disclosure information submitted to it publicly available on the Internet on its Electronic Municipal Market Access system website.

The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided herein; provided, that any audited financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such statements are not available by the Submission Date.

If the State's fiscal year changes, the State may adjust the Submission Date by giving notice of such change in the same manner as notice is to be given of the occurrence of a Listed Event defined below.

The State agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Disclosure Report on or prior to the Submission Date.

Listed Events. The State agrees to provide or cause to be provided, in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds (the "Listed Events"): (1) principal and interest payment delinquencies; (2) nonpayment-related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of owners of the Bonds, if material; (8) Bond calls (other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856), if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing the repayment of any Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the State, as such "Bankruptcy Events" are defined in the Rule; (13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the State or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State or obligated person, any of which affect Bond holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the State or obligated person, any of which reflect financial difficulties.

For purposes of items (15) and (16), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Termination or Modification of Undertaking. The State's obligations under the Undertaking will terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. The Undertaking, or any provision thereof, shall be null and void if the State:

(1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the Undertaking, or any such provision, have been repealed retroactively or otherwise do not apply to the Bonds; and

(2) notifies the MSRB, in a timely manner, of such opinion and the cancellation of the Undertaking.

The State may amend the Undertaking without the consent of any holder of any Bond or any other person or entity under the circumstances and in the manner permitted by the Rule. The Treasurer will give notice to the MSRB of the substance of any such amendment, including a brief statement of the reasons therefor.

If the amendment changes the type of Annual Disclosure Report to be provided, the Annual Disclosure Report containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided (or in the case of a change of accounting principles, the presentation of such information). In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements:

(1) notice of such change will be given in the same manner as for a Listed Event, and

(2) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Remedies. The right of a registered owner or beneficial owner to enforce the provisions of the Undertaking will be limited to a right to obtain specific enforcement of the State's obligations thereunder, and any failure by the State to comply with the provisions of the Undertaking will not be a default with respect to the Bonds.

Additional Information. Nothing in the Undertaking will be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by the Undertaking. If the State chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a Listed Event in addition to that specifically required by the Undertaking, the State will have no obligation to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a Listed Event.

Prior Compliance. In the filing of financial statements and operating data pertaining to the fiscal year ended June 30, 2017, with respect to an outstanding issue of lease revenue bonds for which the State is an obligated person, the State's timely annual filing was not linked to the CUSIP numbers of two maturities of those bonds. The State has not otherwise identified any failure within the past five years to comply in any material respect with its prior undertakings.

The State notes that, with respect to compliance with filing requirements for events described in clauses (15) and (16) under the Rule, which became effective for continuing disclosure agreements executed on or after February 27, 2019, the State has implemented procedures to identify these new events and make timely filings, which procedures rely on interpretations of the new regulations that it believes to be reasonable. However, due to the evolving nature of the interpretation of these events, the State's representation regarding compliance with these new events is limited to and is based solely on its reasonable interpretation of the new regulations.

OTHER BOND INFORMATION

Bond Ratings

Fitch Ratings, Moody's Investors Service Inc., and S&P Global Ratings, a business unit within Standard & Poor's Financial Services LLC, have assigned ratings on the Bonds of AA+, Aaa, and AA+, respectively. The State furnished certain information and materials to the rating agencies regarding the Bonds and the State. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. Such ratings will reflect only the respective views of such rating agencies and are not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such ratings may be obtained from any of the rating agencies furnishing the same.

There is no assurance that such ratings will be maintained for any given period of time or that they may not be raised, lowered, suspended, or withdrawn entirely by any or all of the rating agencies, if in its or their judgment, circumstances warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The State undertakes no responsibility to oppose any such change or withdrawal.

Municipal Advisors

Piper Sandler & Co. and Montague DeRose and Associates, LLC have served as municipal advisors to the State relative to the preparation of the Bonds for sale and other matters relating to the Bonds. The municipal advisors have not audited, authenticated, or otherwise verified the information set forth in this Official Statement or other information relative to the Bonds. The municipal advisors make no guaranty, warranty or other representation on any matter related to the information contained in this Official Statement. The municipal advisors' compensation is not contingent upon the successful delivery of the Bonds.

Underwriting

The Series R-2022C Bonds are being purchased by BofA Securities, Inc. (the "Underwriter") at a price of $915,460,951.81, and will be reoffered at a price of $916,394,648.65, as reflected by the prices and yields set forth on page ii of this Official Statement.

The Series R-2022D Bonds are being purchased by the Underwriter at a price of $530,355,607.96, and will be reoffered at a price of $531,117,909.20, as reflected by the prices and yields set forth on page iii of this Official Statement.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on pages ii and iii, and such initial offering prices may be changed from time to time by the Underwriters. After the initial public offering, the public offering prices may be varied from time to time.

APPENDIX A

STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION

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APPENDIX A
STATE GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION

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INTRODUCTION

This Appendix provides an overview of the government, operations, budgeting, revenues, expenditures, outstanding debt, and other material financial obligations of the State of Washington (the "State" or "Washington") as of the date of the Official Statement, dated April 26, 2022, for the State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2022C (the "Series R-2022C Bonds") and Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2022D (the "Series R-2022D Bonds" and, together with the Series R-2022C Bonds, the "Bonds") expected to be issued on or about May 11, 2022.

Overview

Washington State is located in the Pacific Northwest and covers approximately 71,300 square miles, including Puget Sound. As of the April 1, 2021 population estimates, the State has a population of approximately 7.8 million people, ranking as the 13th most populous state in the nation. The City of Seattle, located on Puget Sound, is the largest city in the State. The State capital is Olympia, located approximately 60 miles south of Seattle.

Over the last decade, the State has experienced both economic and population expansion. The State has a diverse industrial and environmental base that supports trade with Pacific Rim countries, as well as knowledge-based industries including information technology, health, business, and financial services. In recent years, Washington's expanding economy, accelerated gains in hiring, and a strong housing market have had a positive effect on State revenue growth. Nonetheless, despite these favorable economic conditions during the years preceding the COVID-19 pandemic, State financial health remains susceptible to shifts in economic conditions nationally and globally. In particular, global disruptions and federal responses and policies on issues such as the international conflict in Ukraine, COVID-19 pandemic response, global climate change, international trade, federal tax policy, immigration, and health care can significantly impact the State's financial condition. Other challenges for the State include the continuing uncertainty of the conflict in Ukraine, the COVID-19 pandemic, inflation, the increasing cost of housing, and mitigating local effects of climate change. See generally "SPECIAL INVESTOR CONSIDERATIONS—Global Health Emergency Risk and the COVID-19 Pandemic."

Although the State had accumulated significant reserves since the 2008 financial crisis, the economic conditions resulting from the COVID 19 pandemic created financial stress and the State drew down those reserves for use during the fiscal year ending June 30, 2021. Since then, the Legislature has directed significant federal and other funding related to COVID-19 recovery into three additional accounts that are earmarked for various response and recovery efforts. See "STATE BUDGETING AND FORECASTING—Budget Requirements and Budget Limitations—Constitutional Budget Stabilization Account (Rainy Day Account or Rainy Day Fund)" and "—*Other Restricted Fund Balance for Pandemic Recovery*."

The State cannot predict whether or when it may face fiscal stress and cash pressures in the future that could materially adversely affect the financial condition of the State's General Fund.

—Geographic and Demographic Highlights

The State is geographically diverse. The area west of the Cascade Mountain Range ("Western Washington") is made up of the Puget Sound region and the Olympic Peninsula, which includes a temperate rain forest. Puget Sound covers approximately 1,000 square miles of saltwater, which is crossed by ten ferry routes connecting island and coastal areas. As of the April 1, 2021 State population estimates, approximately 4.3 million people live in the four-county central Puget Sound region, which includes the State's three most populous counties (King, Pierce, and Snohomish Counties). Clark County, the fifth most populous county, located in the southwestern region of the State within the Portland, Oregon metropolitan area, has been among the fastest growing areas of the State in recent years.

The Cascade Mountain Range includes five volcanoes (Mount Rainier, Mount Adams, Mount Baker, Glacier Peak, and Mount St. Helens). The area east of the Cascade Mountain Range ("Eastern Washington"), which encompasses the central and eastern regions of the State, contains a relatively arid region of intense agricultural production enhanced by large-scale irrigation and hydroelectric projects in the Columbia River basin. Much economic activity in Eastern Washington is centered around the City of Spokane and Spokane County, the second largest city and fourth most populous county. The Tri-Cities metro area located on the Columbia River in the south-central part of the State (with a population over 200,000) provides another important Eastern Washington economic center, particularly focused on agriculture (including agricultural product storage, processing, and exports) and with a science and technology hub around the Hanford nuclear research centers.

—Economic Activity Overview

Much of the State's economic activity is dominated by international trade, manufacturing, computer technology, biotechnology, and business services. The Puget Sound region hosts the headquarters or major centers of operations for a dozen Fortune 500 companies (including Amazon.com ("Amazon"), Microsoft, Costco, the Boeing Company ("Boeing"), Starbucks, Paccar Inc., Nordstrom, Expedia, Alaska Airlines, Expeditors, Weyerhaeuser, and Fortive), several leading global health research institutes (including many centers playing lead roles in research regarding COVID-19 medical and public health responses), and other global nonprofits (including the Bill and Melinda Gates Foundation).

In the most recent Puget Sound Business Journal ("PSBJ") survey published in October 2021, Amazon ranks as the largest employer in the State with an estimated 80,000 employees State-wide. It is followed by Microsoft, which reported approximately 57,600 employees in the State. Boeing's workforce in the State has declined significantly from its historical levels, now ranking as the State's third largest employer with approximately 56,900 employees. As of the 2021 survey, Google and Facebook are also among the State's 25 largest employers.

International trade remains a key driver of the State's economy. Until 2020, State exports were led by civilian aircraft, engines, and parts, anchored by Boeing. In 2020 and the first half of 2021, the State's largest export categories were agricultural products, followed by transportation equipment (including aerospace products and parts), and computer and electronic products. Agricultural and wood products are produced in both Eastern and Western Washington. Eastern Washington is primarily agricultural, producing livestock (including dairy and dairy products) and crops such as wheat, potatoes, tree fruits (apples, cherries), hay, hops, and wine grapes. The Puget Sound region and the Olympia Peninsula to its west feature active aquaculture and fish- and shellfish-processing enterprises. Abundant hydroelectric power generated by the Columbia River system has attracted a number of electricity-intensive users to Eastern Washington, including manufacturing, high-tech data storage, and related high-intensity computing applications, nuclear and related scientific research, food processing, and agricultural cold-storage.

For discussion and statistical information regarding major employment sectors, key drivers, and risks to the State's economy, see "STATE BUDGETING AND FORECASTING—Highlights from Recent State Economic and Revenue Forecast Council Publications," "SPECIAL INVESTOR CONSIDERATIONS," and "DEMOGRAPHIC AND ECONOMIC INFORMATION."

—Overview of State Retirement Systems

The State Department of Retirement Systems ("DRS") manages eight State-wide retirement systems. As of the actuarial valuation (with a valuation date as of June 30, 2020, published in August 2021), the ratio of the actuarial value of assets to actuarially accrued liabilities, as determined by the Office of the State Actuary ("OSA"), was 95% across all plans, compared to 92% reported for the prior year. See "EMPLOYEES, BENEFITS AND RETIREMENT SYSTEMS—Retirement Systems." The next Actuarial Valuation report, with a valuation date of June 30, 2021, is expected to be finalized in August 2022. Certain preliminary data prepared in connection with that report will be released on the OSA website (https://leg.wa.gov/osa/pensionfunding/Pages/Valuations.aspx) as it becomes available, beginning in approximately May 2022.

—Statistical Information Presented

This Appendix presents both historical data and forecast data. The forecast information in this Appendix does not reflect historical facts, but rather is a forecast and "forward-looking statement." No assurance can be given that the forecast results described will be achieved and actual results may differ materially from those expressed or implied below. Forecast statements speak only as of the date they were prepared; additional or different information may emerge or become apparent subsequent to the forecast date that would not be reflected in the forecast. The State specifically disclaims any obligation to update any forward-looking statements set forth herein to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement. *Readers should exercise particular caution when reviewing forecast, historical, and comparative data covering the period affected by the COVID-19 pandemic that began in early 2020 and is ongoing. Such data may not be an accurate predictor of near-term future performance and year-over-year comparisons to this period may be anomalous.*

Overview of State Budgeting, Forecasting, Revenue, and Expenditures

—State Budgeting Process

The State provides for a wide range of services that include State-wide education funding, social and health services, transportation, and environment and natural resource protection. It budgets expenditures on the basis of a fiscal biennium ("Biennium") beginning on July 1 of each odd-numbered year and ending on June 30 of the next succeeding odd-numbered year (e.g., the period July 1, 2021 through June 30, 2023 is referred to as the 2021-23 Biennium). The Governor proposes, and the State Legislature approves, biennial budgets in odd-numbered years, based on revenue and economic forecasts produced by the independent, nonpartisan Economic and Revenue Forecast Council ("ERFC"). Mid-Biennium adjustments are typically made by the adoption of supplemental budgets during the regular session occurring in even-numbered years. In addition, the Governor may call an unlimited number of special sessions, each of which is limited to 30 days, and the Legislature itself may call special sessions with a two-thirds vote of the members of each house. See generally, "STATE BUDGETING AND FORECASTING—Budget Requirements and Budget Limitations."

The information presented in this Appendix reflects the operating, capital, and transportation budgets as enacted during the 2022 legislative session. The three supplemental budgets make mid-biennium adjustments to the enacted 2021-23 biennial budgets (2022 Supplemental Omnibus State Operating Budget, 2022 Supplemental State Capital Budget, and 2022 Supplemental Transportation Budget) that were signed into law by the Governor on March 31, 2021 (Operating), March 31, 2021 (Capital), and March 25, 2022 (Transportation). See "STATE BUDGETING AND FORECASTING—Current Budgets."

—Forecasting Process

The ERFC publishes quarterly Economic and Revenue Forecasts ("Economic and Revenue Forecasts" or "Quarterly Forecasts") and monthly updates on the economy and revenue collections ("Monthly Updates"). Based on its Quarterly Forecasts and Monthly Updates, the ERFC also approves an official State Budget Outlook before and after budget adoption. The Quarterly Forecasts also identify upside and downside risks to the State's economy and include optimistic and pessimistic forecast scenarios. See generally, "STATE BUDGETING AND FORECASTING—Economic and Revenue Forecasting." Economic and Revenue Forecast data presented in this Appendix is taken from the most recent official Quarterly Forecast, approved on February 16, 2022. The next quarterly Economic and Revenue Forecast is scheduled to be presented at the ERFC meeting on June 22, 2022.

For budgeting purposes, the State relies on transportation revenue forecasts prepared by the Transportation Revenue Forecast Council ("TRFC"), and caseload forecasts for entitlement programs and K-12 education enrollment prepared by the Caseload Forecast Council ("CFC"). TRFC forecasts are released quarterly, typically simultaneously with the Quarterly Economic and Revenue Forecast. The most recent TRFC forecast was released on February 16, 2022 and the next is expected to be released on June 22, 2022. The CFC reviews caseload forecasts three times per year, most recently at the February 11, 2022 meeting. The next CFC review meeting is scheduled for June 15, 2022.

—General Fund Revenues and Expenditures

The State maintains a variety of funds and accounts described in the State's Annual Comprehensive Financial Report ("ACFR"). The State's ACFR for the fiscal year ended June 30, 2021 is attached as Appendix D to the Official Statement. The State typically releases the ACFR for its fiscal year, which ends June 30, in the following November.

Certain Key Terms Defined. Much of the financial information in this Appendix focuses on those funds designated as "Near General Fund–State" ("NGF-State" or "NGF-S").[1] This consists of (1) the State-funded portion of the State's General Fund ("General Fund–State" or "GF-State"), excluding federal and local/private resources deposited in the General Fund; and (2) certain funds that are statutorily designated as "related funds" ("General Fund-Related Funds" or "GF-Related Funds"): the Opportunity Pathways Account ("OPA"), the Education Legacy Trust Account ("ELTA"), and the Workforce Education Investment Account ("WEIA") (added in 2020). During the 2021 legislative session, the Fair Start for Kids Account ("FSKA") was added to the statutory

[1] Certain budget and forecast documents sometimes interchange the term Near General Fund-State with the term Near General Fund-Outlook (or NGF-O). For the sake of consistency, this Appendix uses Near General Fund-State (abbreviated to NGF-State or NGF-S) throughout.

definition of “related funds” (and is included in the NGF-State definition) effective July 25, 2021. The FSKA currently has no defined revenue stream or spending authority; it is not reflected in the November 2021 Quarterly Forecast but will be reflected in future forecasts when revenue and expenditures are enacted.

The State’s various purpose general obligation debt is payable primarily from General State Revenues (“GSRs”), a term which has a specific technical meaning under the State Constitution and the State’s debt limitations. The term GSR should be distinguished from the terms General Fund–State and Near General Fund–State, which are used for accounting, budgeting, and forecasting purposes. GSRs are generally accounted for among the General Fund–State revenues, though the two terms are not necessarily interchangeable. See “STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Authorization of Debt and Other Financial Obligations—*General State Revenues*.”

Summary of Major General Fund Revenue Sources. The General Fund receives revenue from State sources (General Fund–State), federal sources (“General Fund–Federal”), and local or private sources (“General Fund–Private/Local”). General Fund–State refers to the portion of the General Fund derived from State resources, generated primarily from taxes, including retail sales and use taxes (referred to together as the “Sales Tax” unless otherwise indicated by context), a gross-receipts business and occupations tax (“B&O Tax”), and State-wide *ad valorem* property taxes (“Property Tax”). General Fund–Federal revenues are used primarily for various Human Services entitlement programs and for special education and similar programs. General Fund–Private/Local revenues are typically restricted by the terms of the grant or other contribution. Such revenues are not generally available for payment of debt service on State bonds and other obligations. See “GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources.”

Figure A describes the most recent Quarterly Forecast of major Near General Fund–State revenue sources for the 2021-23 Biennium.

Summary of Major General Fund Operating Expenditures. The State’s single largest general governmental expenditure is funding for K-12 public schools. The State’s second and third largest general governmental expenditures, respectively, are human services provided outside of Department of Social and Health Services (“DSHS”) (“Other Human Services”) and funding for DSHS itself. See “GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund–State Expenditures.”

Figure B describes the appropriations from Near General Fund–State sources in the enacted Omnibus State Operating Budget for the 2021-23 Biennium, as supplemented by the 2022 Supplemental Omnibus State Operating Budget.

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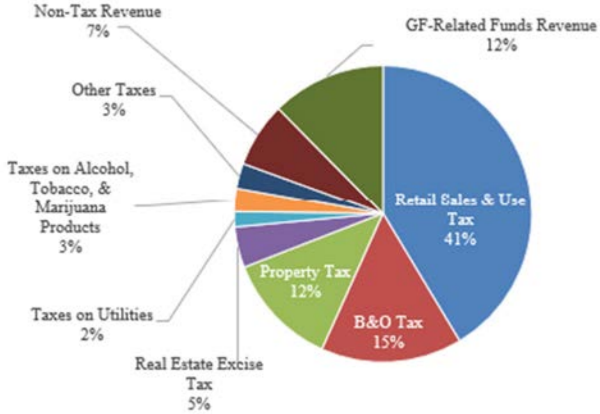
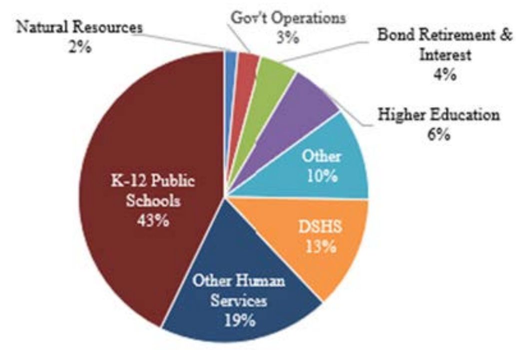
Figure A
Near General Fund–State(1)(2)
Forecast 2021-23 Revenues by Source



(1) General Fund–State, plus GF-Related Funds.
(2) Includes forecast revenues in calendar year 2023 from Capital Gains Tax, which is subject to pending legal challenges. "SPECIAL INVESTOR CONSIDERATIONS—Litigation—*Tax Litigation*."

Source: February 2022 Quarterly Forecast. See also Table A-22 and Table A-30.

Figure B
Near General Fund–State(1)
2021-23 Omnibus State Operating Budget Summary



(1) General Fund–State, plus GF-Related Funds.

Source: 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget, as enacted. See also Table A-31.

—Transportation-Related Revenues and Expenditures

This Appendix also provides information on the State's Transportation Funds. The State budgets for transportation-related spending in a stand-alone Transportation Budget that covers both operating and capital expenditures for the Washington State Department of Transportation ("WSDOT") and certain other transportation-related programs. See generally "TRANSPORTATION REVENUES AND EXPENDITURES."

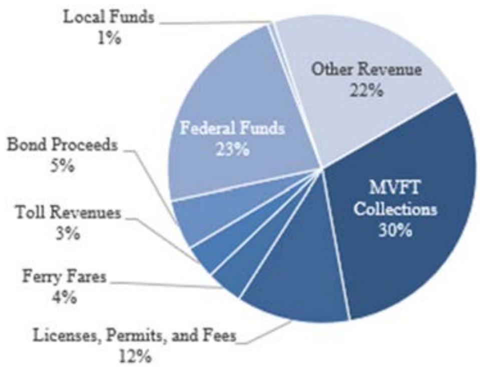
Summary of Major Transportation Revenue Sources. Major sources of transportation revenue include an excise tax on motor vehicle and special fuels (the "Motor Vehicle Fuel Tax" or "MVFT"), licensing fees and other fees, ferry fares and concessions, toll revenues, and federal funds. Ferry fare revenues are used to fund ferry operations and maintenance. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources." Certain MVFT revenues and fees or charges imposed under Title 46 RCW that constitute license fees for motor vehicles ("vehicle-related fees" or "VRFs"), if deposited to the Motor Vehicle Fund, are constitutionally restricted to be used solely for "State highway purposes" as define d in the State Constitution. Money subject to this constitutional spending restriction is referred to as State Highway Funds throughout this Appendix. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Transportation-Related Bonds."

Figure C summarizes WSDOT's portion of transportation-related forecast revenues, as set forth in the most recent Transportation Revenue Forecast.

Summary of Major Transportation Expenditures. In addition to appropriations for WSDOT's operating and capital needs, the State Transportation Budget provides appropriations for selected transportation-related programs of the Department of Licensing ("DOL"), the Washington State Patrol ("WSP"), the Transportation Improvement Board ("TIB"), and other minor transportation-related programs. The two largest components of the WSDOT operating budget are operating and maintenance expenses of the State highway system and of the Washington State Ferries ("WSF"). Major WSDOT capital programs include the construction of roads, buildings, ferry terminals, and building or refurbishing ferry vessels.

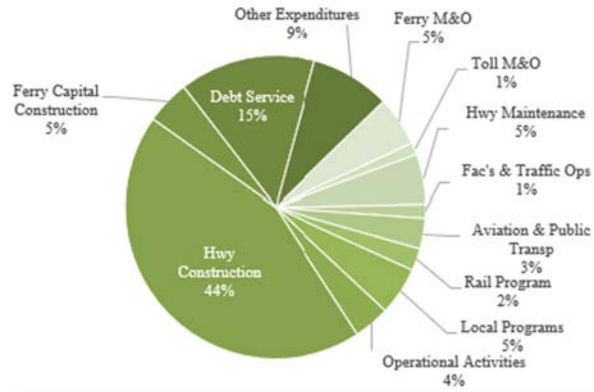
Figure D summarizes WSDOT's portion of expenditures in the Transportation Budget for the enacted 2021-23 Biennium, as supplemented by the 2022 Supplemental Transportation Budget.

Figure C
Summary of WSDOT Portion of
2021-23 Forecast Transportation Revenues & Resources



Source: Washington State Department of Transportation, based on the February 2022 TRFC Forecast, approved February 16, 2022. See Table A-41.

Figure D
Summary of WSDOT Portion of Budgeted
2021-23 Transportation Expenditures



Source: Washington State Department of Transportation, based on the 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Transportation Budget. See Table A-42 and Table A-21 (line item "Bond Retirement and Interest").

STATE DEBT AND OTHER FINANCIAL OBLIGATIONS

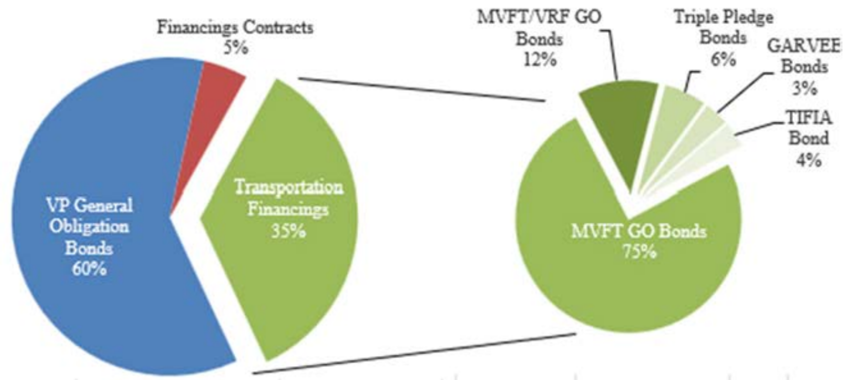
Introduction

The State issues debt and incurs other financial obligations through three primary financing programs. In addition, the State incurs contingent obligations under the School Bond Guarantee Program. See "—School Bond Guarantee Program."

- *Various Purpose General Obligation Bonds ("Various Purpose GO Bonds" or "VP GO Bonds")*. The largest portion of the State's outstanding debt and other financial obligations consists of Various Purpose GO Bonds, backed by a pledge of GSRs and the full faith and credit of the State. Debt service is paid primarily out of General Fund–State resources, with a smaller amount paid or reimbursed from various sources, such as tuition, fees, and patient fees.
- *Transportation-Related Bonds*. The State's second largest financing program consists of bonds payable primarily out of resources in the Transportation Funds:
  - *General obligation-backed bonds* are payable first from certain transportation-related revenues (which can include MVFT, VRFs, and toll revenues) and are backed by the State's full faith and credit.
  - *Non-general obligation supported bonds* are payable solely from project-specific toll revenues (TIFIA Bond) or from federal highway grants, as pledged federal aid (GARVEE Bonds).
- *Financing Contracts*. The smallest of the major financing programs consists of Certificates of Participation ("COPs") in master financing contracts entered into by the State for State agencies and local government agencies to finance the construction and acquisition of real property or the acquisition of personal property. The State has also participated in two outstanding 63-20 lease revenue bond transactions ("63-20 Lease Revenue Bonds") involving bonds issued by nonprofit corporations "on behalf of" the State to finance State agency office buildings.

Figure E shows the breakdown by percentage of the outstanding debt and other financial obligations issued under each State financing program as of April 1, 2022. Table A-1 describes generally the funds pledged to each program.

Figure E
Overview of State Debt and Other Financial Obligations
(outstanding as of April 1, 2022)



Source: Office of the State Treasurer.

Table A-1
Summary of Bond Programs and Other Obligations

Type of Obligation	Pledge / Source of Repayment
Various Purpose General Obligation Bonds ("VP GO Bonds")	General State Revenues (GSRs) and full faith and credit of the State(1)(2)
Transportation-Related Bonds	
GO-Backed Bonds	
Motor Vehicle Fuel Tax GO Bonds ("MVFT GO Bonds")	First, MVFT and other transportation-related revenues(2)(3)(4) Second, full faith and credit of the State
Motor Vehicle Fuel Tax & Vehicle Related Fees GO Bonds ("MVFT/VRF GO Bonds")	First, MVFT, VRFs, and other transportation-related revenues(4)(5) Second, full faith and credit of the State
Toll Revenue General Obligation Bonds ("Triple Pledge Bonds")	First, Toll Revenues deposited in project-specific pledged fund(6) Second, MVFT (or MVFT and VRFs) and other transportation-related revenues(4)(5) Third, full faith and credit of the State
Non-GO Backed Obligations	
GARVEE Bonds	Federal Aid-Highway Program grant proceeds
TIFIA Bond	Net SR-520 Toll Revenue(7)
Financing Contracts	
Certificates of Participation ("COPs")	Lease payments from State agency operating funds and local governments(8)
63-20 Lease Revenue Bonds	Lease payments from State agency operating funds

(1) GSRs are pledged to repayment with limited exceptions. Debt service is paid primarily from General Fund–State resources, with certain debt service payments reimbursed from other sources, including tuition, fees, and patient fees. See "—Payment of Debt and Other Financial Obligations—Reimbursements" below.

(2) Reimbursements are an internal accounting matter only and do not constitute a pledge of such revenues. Statements regarding future reimbursements are expectations only and the State makes no representation about the availability of such revenue in the future.

(3) Certain outstanding MVFT GO Bond debt service is reimbursed by toll revenues collected from the Tacoma Narrows Bridge and the State Route 99 tunnel ("SR-99 Tunnel"). See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—Toll Revenues."

(4) The pledge of MVFT revenues is on an equal basis with the pledge in respect of the outstanding and future MVFT GO Bonds, MVFT/VRF GO Bonds, and Triple Pledge Bonds.

(5) MVFT/VRF GO Bonds have been authorized by the Connecting Washington Bond Act. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Motor Vehicle Fuel Taxes (MVFT)*" and "—*Licenses, Permits, and Fees (LPFs) and Vehicle-Related Fees (VRFs)*." Pursuant to Senate Bill 5898 (signed into law on March 17, 2022 and effective June 9, 2022) future GO-Backed Transportation-Related Bonds that remain unissued under previous authorizations are expected to be issued as MVFT/VRF GO Bonds, including any bonds issued to refund outstanding MVFT GO Bonds. The pledge of MVFT/VRF revenues is also on an equal basis with the pledge in respect of the outstanding and future MVFT/VRF GO Bonds and Triple Pledge Bonds. See "STATE DEBT AND OTHER FINANCIAL INFORMATION—Transportation-Related Bonds—Other Triple Pledge Bonds."

Notes continue on following page.

Notes to Table A-1 (continued)

(6) The currently outstanding Triple Pledge Bonds were issued for the SR-520 Corridor Program ("SR-520 Triple Pledge Bonds") and secured by a pledge of tolls from the SR-520 Toll System, MVFT revenues, and the full faith and credit of the State. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—Toll Revenues."

(7) The currently outstanding TIFIA Bond is payable solely from Net SR-520 Toll Revenues pledged on a basis junior to the pledge in respect of the SR-520 Triple Pledge Bonds and any other bonds issued with a higher priority.

(8) The COP program is also available to local agencies. See "—Financing Contracts—Certificates of Participation (COPs)."

Source: Office of the State Treasurer.

Table A-2 describes the amount of obligations outstanding in each bond program at the end of each of the past five fiscal years and the amount outstanding as of April 1, 2022, net of the portion to be reimbursed from toll revenues and other non-General Fund–State sources allocated to the retirement of principal.

Table A-2
History of Outstanding Bonds
Net of Principal Expected to Be Reimbursed from Tolls and Other Revenues(1)
($ in millions, outstanding as of dates indicated)

Outstanding as of:	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	4/1/2022
Various Purpose Bonds						
GO-Backed Bonds						
Various Purpose GO Bonds	**$ 11,759.1**	**$ 11,845.5**	**$ 12,056.7**	**$ 12,483.0**	**$ 12,826.8**	**$ 13,547.3**
Principal Expected to be Reimbursed(2)	(519.7)	(455.1)	(406.7)	(358.2)	(317.3)	(288.5)
Net Outstanding	11,239.4	11,390.3	11,650.0	12,124.8	12,509.5	13,258.9
Transportation-Related Obligations						
GO-Backed Bonds						
MVFT GO Bonds	**6,836.7**	**6,752.5**	**6,707.0**	**6,418.4**	**6,184.1**	**5,890.2**
Principal Expected to be Reimbursed (TNB Tolls)	(398.6)	(363.8)	(328.6)	(295.1)	(264.2)	(248.0)
Principal Expected to be Reimbursed (SR-99 Tolls)	--	--	(104.8)	(102.6)	(162.1)	(162.1)
Net Outstanding	6,438.1	6,388.8	6,273.6	6,020.6	5,757.8	5,480.1
MVFT/VRF GO Bonds	--	--	--	**338.1**	**915.5**	**915.5**
Principal Expected to be Reimbursed (Tolls)	--	--	--	--	--	--
Net Outstanding	--	--	--	338.1	915.5	915.5
SR-520 Triple Pledge Bonds	**596.5**	**583.1**	**569.0**	**554.2**	**476.1**	**476.1**
Principal Expected to be Reimbursed (SR-520 Tolls)	(596.5)	(583.1)	(569.0)	(554.2)	(476.1)	(476.1)
Net Outstanding	--	--	--	--	--	--
Non-GO Backed Bonds						
GARVEE Bonds	**658.0**	**589.0**	**516.7**	**440.7**	**360.9**	**277.1**
Principal Expected to be Paid from Federal Aid Revenues	(658.0)	(589.0)	(516.7)	(440.7)	(360.9)	(277.1)
Net Outstanding	--	--	--	--	--	--
TIFIA Bond	**300.0**	**296.9**	**293.7**	**290.5**	**287.1**	**285.4**
Principal Expected to be Paid from SR-520 Tolls	(300.0)	(296.9)	(293.7)	(290.5)	(287.1)	(285.4)
Net Outstanding	--	--	--	--	--	--
Total Outstanding	**$ 20,150.2**	**$ 20,067.0**	**$ 20,143.0**	**$ 20,524.8**	**$ 21,050.5**	**$ 21,391.7**
Total Principal Expected to be Paid or Reimbursed from Tolls or other Sources	(2,472.8)	(2,287.9)	(2,219.5)	(2,041.3)	(1,867.7)	(1,737.2)
Total Outstanding Net of Principal Expected to be Paid or Reimbursed from Tolls or other Sources	**$ 17,677.5**	**$ 17,779.1**	**$ 17,923.6**	**$ 18,483.5**	**$ 19,182.7**	**$ 19,654.4**

Notes on following page.

Notes to Table A-2

Totals may not add due to rounding.

(1) See "—Payment of Debt and Other Financial Obligations—*Reimbursements*" below. Reimbursement amounts shown in table represent portion allocable to reimbursing principal payments only.

(2) Sources for reimbursements include tuition, fees, and patient fees. For certain bonds with maturities through January 1, 2021, additional sources for reimbursements include admissions taxes, parking taxes, and certain King County sales and use taxes.

Source: Office of the State Treasurer.

Authorization of Debt and Other Financial Obligations

In general, the State Constitution provides that the State may contract debt without voter approval when approved by three-fifths of each house of the State Legislature. The Legislature has delegated authority to carry out the issuance to the State Finance Committee ("SFC"), described below. Issuance of general obligation bonds is generally subject to the Constitutional Debt Limitation except upon voter approval. See "—*General Obligation Debt Limitations*." The State may also incur financial obligations that do not constitute "debt" subject to the Constitutional Debt Limitation by entering into financing contracts, leases, and installment purchase contracts. See "—Financing Contracts." The State's guarantees of voter-approved bonds issued by local school districts are contingent obligations that, pursuant to a constitutional amendment, do not constitute State "debt" for purposes of the Constitutional Debt Limitation. See "—School Bond Guarantee Program." The State may also enter into derivative payment agreements, such as interest rate swaps, although to date it has not done so and has no plans for such agreements.

—Role of the State Finance Committee

State statute delegates to the SFC authority to supervise and control the issuance of all State debt and other financial obligations authorized by the Legislature. The SFC consists of the State Treasurer (Chair), the Governor, and the Lieutenant Governor. The Office of the State Treasurer ("OST") provides administrative support. The Deputy State Treasurer acts as recording officer and is responsible for the administration of the SFC's official duties. Bonds and other financial obligations are issued pursuant to a resolution of the SFC delegating to the State Treasurer authority to carry out the issuance. Refunding bonds may be authorized by the SFC and do not require specific legislative or voter approval. In addition, short-term certificates of indebtedness issued to provide liquidity for appropriations in the current budget may be issued without legislative or voter approval if such debt is discharged (other than by refunding) within 12 months of the date of incurrence. The State does not have a short-term certificate or note program to provide liquidity, nor does the State have a commercial paper program, and has no plans for such programs.

The SFC has adopted a Debt Issuance Policy, most recently amended on January 25, 2011, that addresses, among other things, debt service structure, refunding savings thresholds, and the average life of debt (shorter than or equal to the estimated useful life of the facility financed). The requirements may not apply in all cases. The policy also outlines the roles and responsibilities of the SFC and OST and the process for selecting professional service providers. Although not required by State law, the State Treasurer typically releases an annual Debt Affordability Study to the Legislature and State-wide elected officials describing issuance trends, borrowing costs, and effective constraints on debt issuance.

—General Obligation Debt Limitations

The State Constitution defines "debt" to include only obligations secured by the full faith and credit of the State or required to be repaid, directly or indirectly, from GSRs. See "—*General State Revenues*" below. The State's non-voter approved Various Purpose GO Bond program is generally subject to the Constitutional Debt Limitation. Excluded from the Constitutional Debt Limitation are: MVFT GO Bonds, MVFT/VRF GO Bonds, and Triple Pledge Bonds (provided that the Legislature provides for MVFT and VRF revenues sufficient to pay debt service); non-GO Backed Bonds; financing contracts and 63-20 lease obligations (and the related payments under the financing contracts or leases); and guarantees provided under the School Bond Guarantee Program (discussed below).

Additional general obligation debt may be issued outside of the Constitutional Debt Limitation for a distinct work or object, if approved by a simple majority of State-wide voters; or if necessary to repel invasion, suppress insurrection, or to defend the State in war. Also excluded from the Constitutional Debt Limitation are: legally defeased obligations; obligations issued to pay "current expenses of State government"; short-term certificates of indebtedness; principal of bond anticipation notes; and revenue obligations payable solely from the revenues derived from the ownership or operation of any particular facility or project.

Constitutional Debt Limitation. The State Constitution limits the incurrence of new general obligation debt. The Maximum Annual Debt Service ("MADS") on debt subject to the limit (including the proposed debt) may not exceed 8.25% of the average of GSRs for the six preceding fiscal years. Under the State Constitution, this limit will be reduced to 8.0% beginning July 1, 2034. See "—*General State Revenues*."

In general, debt service on all non-voter approved outstanding Various Purpose GO Bonds is included in calculating the Constitutional Debt Limitation. Absent voter approval, additional Various Purpose GO Bonds (or other general obligation debt subject to the limit) may not be issued if that issuance would cause the limit to be exceeded. The Constitutional Debt Limitation restricts only the incurrence of new general obligation debt based on a calculation of annual debt service and GSRs at the time the new debt is issued; it does not prohibit the payment of debt service in excess of the limit at the time payment is due, nor does it affect the ability to issue refunding bonds for savings.

Working Debt Limit. A "Working Debt Limit" is established by State statute, which is used for budgeting and planning purposes only. It has no effect on the validity of any debt issuance. The SFC may adjust the Working Debt Limit due to extraordinary economic conditions, without action by the Legislature, but may not exceed the Constitutional Debt Limitation. For the 2021-23 Biennium and subsequent biennia, State statute sets the Working Debt Limit at 7.75% of the average of GSRs for the six preceding fiscal years. This is a reduction from 8.0% that applied to the 2019-21 Biennium.

—General State Revenues (GSRs)

The term "General State Revenues" (or GSRs) is defined in the State Constitution to include "all money received in the State Treasury from each and every source, including collections of *ad valorem* taxes levied by the State and deposited in the General Fund." The definition specifically excludes: (1) fees and other revenues derived from the ownership or operation of any undertaking, facility, or project; (2) gifts or grants received from any source which are by their terms required to be used for specific purposes; (3) retirement system funds and performance bonds and deposits; (4) amounts in the State's trust funds and permanent funds; (5) revenues from "taxes levied for specific purposes" that are required by State law or the State Constitution to be deposited into funds or accounts other than the General Fund; and (6) bond proceeds. The State Treasurer certifies the Constitutional Debt Limitation annually, typically in December, when information necessary to establish GSRs is available.

Table A-3 summarizes the calculations of GSRs for the past six fiscal years and the Constitutional Debt Limitation certified by the State Treasurer in the *Treasurer's Report on the State of Washington's Debt Limitation for Fiscal Year 2022*, which was published on December 3, 2021 and is available on the State Treasurer's Office website (tre.wa.gov).

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Table A-3
Historical General State Revenues (GSRs) and Calculation of Constitutional Debt Limitation
($ in millions, for fiscal years ended June 30)

Fiscal year:	2016	2017	2018	2019	2020	2021
Total Revenues Deposited to State Treasury	**$ 63,031.3**	**$ 68,255.1**	**$ 78,667.7**	**$ 95,432.0**	**$101,684.6**	**$114,381.9**
Funds and Accounts Eliminated per Constitution(1)	(28,499.2)	(31,358.0)	(39,649.1)	(57,159.7)	(60,192.0)	(64,877.1)
Total General Fund Cash Deposited	34,532.1	36,897.0	39,018.7	38,272.3	41,492.7	49,504.8
Adjustments to General Fund Cash Deposits(2)	(4,366.8)	(6,930.7)	(5,248.3)	(4,937.7)	(1,767.8)	(7,100.2)
Total General Fund Cash Revenue	30,165.3	29,966.4	33,770.4	33,334.6	39,724.9	42,404.6
Elimination of Cash per Revenue Exclusion(3)	(11,616.1)	(10,977.7)	(12,380.1)	(11,487.0)	(16,138.7)	(14,894.0)
Eliminations per Attorney General's Advice(4)	(12.4)	(12.0)	(11.0)	(11.3)	(13.8)	(12.1)
Adjustments(5)	104.3	784.0	296.7	545.9	231.0	(543.9)
Total General State Revenues ("GSRs")	**$ 18,641.1**	**$ 19,760.6**	**$ 21,676.0**	**$ 22,382.1**	**$ 23,803.4**	**$ 26,954.6**

Constitutional Debt Limitation (certified as of December 3, 2021):	*(in $)*
Arithmetic mean of GSRs for immediately preceding six years (in $)	$ 22,202,964,875
Debt Service Limitation (8.25% of arithmetic mean of GSRs for immediately preceding six years):	**$ 1,831,744,602**
Maximum Annual Debt Service ("MADS") (as of 12/1/2021):	1,308,476,892
Difference (Debt Service Limitation less MADS)	$ 523,267,711

Totals may not add due to rounding.

(1) All amounts deposited into certain accounts are excluded from General State Revenues in accordance with Article VIII, §1(c)(1), (3), (4), (5) and (6) of the State Constitution.

(2) Adjustments for reconciliation activity and to capture cash deposits in the treasury which are cash revenue transactions.

(3) Elimination of cash deposited in basic General Fund in accordance with revenue exclusion in Article VIII §1(c)(2) of the State Constitution.

(4) Elimination of distributions and dedicated revenues deposited in basic General Fund in accordance with advice or opinion of the State Attorney General.

(5) Includes various dedicated funds transfers.

Source: Office of the State Treasurer, Debt Limit Certification for the fiscal year ending June 30, 2022.

Payment of Debt and Other Financial Obligations

The General Fund and the Transportation Funds are the primary sources of debt service payments for the State's Various Purpose GO Bonds and Transportation-Related Bonds, respectively. The State makes internal transfers into the separate bond retirement accounts that it maintains within the State Treasury. The State makes payments to the State Fiscal Agent from the appropriate bond retirement account in accordance with timing set forth in the relevant transaction documents for each issue. For the Various Purpose GO Bonds, transfers are made on the same day the debt service payment is due. For the MVFT GO Bonds and MVFT/VRF GO Bonds, transfers are generally, by practice, made monthly. Certain MVFT GO Bond authorizations enacted before 1993 require monthly transfers to the relevant debt service funds.

—*Reimbursements*

Certain general obligation bonds are issued from time to time with the intention that the General Fund (as to Various Purpose GO Bonds) or the Motor Vehicle Fund (as to GO-Backed Transportation-Related Bonds) be wholly or partially reimbursed for debt service expenditures from sources outside the General Fund–State revenues or Motor Vehicle Fund revenues, respectively. Funds from these sources are not pledged to bondholders and the reimbursement source or amount may be altered at any time by legislative or executive action.

The State uses toll revenues, MVFT revenues, and ferry capital surcharge revenues to reimburse the Motor Vehicle Fund for debt service on certain GO-Backed Transportation-Related Bonds. Examples of Various Purpose GO Bond debt service reimbursements to the General Fund come from sources such as higher education tuition and fees and medical patient fees, and a small amount of reimbursements for certain multimodal transportation projects reimbursed out of the Multimodal Transportation Fund. Multimodal transportation projects do not qualify as State Highway Purposes and are not financed with Transportation-Related Bonds or paid with constitutionally restricted State Highway Funds.

Table A-4 shows historical debt service requirements for the Various Purpose GO and GO-Backed Transportation-Related Bonds categories, net of historical or forecast reimbursements to the General Fund or Motor Vehicle Fund, as applicable, from toll revenues and other non-General Fund–State sources. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Toll Revenues*."

Table A-4
Various Purpose GO Bond Debt Service Requirements and
GO-Backed Transportation Bond Debt Service Requirements
Net of Reimbursements and Toll Revenues(1)
($ in millions, for fiscal years ended June 30)

Fiscal year:	2017	2018	2019	2020	2021	2022(2)
Various Purpose GO Bonds						
VP GO Bonds	**$ 1,223.8**	**$ 1,230.4**	**$ 1,256.9**	**$ 1,283.1**	**$ 1,283.8**	**$ 1,308.9**
Various Reimbursements(3)	(121.8)	(115.3)	(106.1)	(104.1)	(78.3)	(43.6)
Net Debt Service Requirements	**$ 1,102.0**	**$ 1,115.1**	**$ 1,150.7**	**$ 1,179.1**	**$ 1,205.6**	**$ 1,265.2**
Transportation-Related GO-Backed Bonds						
MVFT GO Bonds	**$ 626.7**	**$ 633.1**	**$ 654.6**	**$ 662.3**	**$ 634.6**	**$ 656.4**
TNB Toll Reimbursements(4)(5)	(70.5)	(69.1)	(72.6)	(73.1)	(72.2)	(77.2)
SR-99 Tunnel Toll Reimbursements(4)(6)	--	--	(1.5)	(7.4)	(8.1)	(11.4)
BABs Federal Tax Credit Reimbursements	(25.7)	(25.3)	(24.8)	(24.3)	(23.6)	(23.0)
Net Debt Service Requirements	**$ 530.5**	**$ 538.7**	**$ 555.7**	**$ 557.5**	**$ 530.6**	**$ 544.8**
MVFT/VRF GO Bonds	**--**	**--**	**--**	**$ 13.7**	**$ 34.9**	**66.1**
Toll Reimbursements(7)	--	--	--	--	--	--
Net Debt Service Requirements	--	--	--	**$ 13.7**	**$ 34.9**	**$ 66.1**
SR-520 Triple Pledge Bonds	**$ 41.8**	**$ 43.2**	**$ 43.2**	**$ 43.2**	**$ 26.9(9)**	**$ 38.2**
Net SR-520 Toll Revenues applied to debt service(4)(8)	(41.8)	(43.2)	(43.2)	(43.2)	(26.9)(9)	(38.2)
Net Debt Service Requirements	--	--	--	--	--	--
All GO-Backed Bonds						
Aggregate Debt Service Requirements	**$ 1,892.3**	**$ 1,906.8**	**$ 1,954.7**	**$ 2,002.4**	**$ 1,980.2**	**$ 2,069.5**
Aggregate Reimbursements and Revenues	(259.9)	(252.9)	(248.2)	(252.1)	(209.1)	(193.4)
Aggregate Net Debt Service Requirements	**$ 1,632.4**	**$ 1,653.9**	**$ 1,706.4**	**$ 1,750.3**	**$ 1,771.1**	**$ 1,876.1**

Totals may not add due to rounding.

(1) Table does not include non-general obligation bonds (i.e., the GARVEE Bonds or TIFIA Bond), whose debt service requirements are secured by and completely offset by the receipt of federal grant revenues (GARVEE Bonds) and by Net SR-520 Toll Revenues (TIFIA Bond).

(2) Debt service requirements due during the fiscal year ending June 30, 2022 represent requirements for the bonds outstanding as of April 1, 2022, and do not reflect the Series R-2022C Bonds or R-2022D Bonds expected to be issued on or about May 11, 2022, or the refundings to be accomplished thereby. Reimbursement amounts for 2022 are estimates prepared as of April 1, 2022. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Toll Revenues*."

(3) Represents reimbursements to the General Fund–State from various sources, including tuition, fees, patient fees, and from the Multimodal Transportation Fund. See "—Payment of Debt and Other Financial Obligations—Reimbursements" above. For certain bonds with maturities through January 1, 2021, reimbursements were also made from admissions taxes, parking taxes, and certain King County sales and use taxes.

(4) Toll revenues were heavily impacted by the COVID-19 pandemic, reducing amounts available to reimburse debt service during fiscal years ending June 30, 2020 and 2021. See also "TRANSPORTATION REVENUES AND EXPENDITURES— Major Transportation-Related Revenue Sources—*Toll Revenues—Effect of COVID-19 Pandemic on Toll Transactions and Collections*."

(5) TNB toll revenues represent reimbursements to the Motor Vehicle Fund from Tacoma Narrows Bridge toll revenues.

(6) SR-99 Tunnel toll revenues represent reimbursements to the Motor Vehicle Fund from SR-99 Tunnel toll revenues. Debt service expenditure reimbursements shown prior to commencement of tolling have been reimbursed from other funds in the AWV Replacement Account, which Account is expected to be reimbursed from future SR-99 toll revenues. See "—Payment of Debt and Other Financial Obligations—*Reimbursements*," above.

(7) MVFT/VRF GO Bonds were first issued in the fiscal year ended June 30, 2020. No toll reimbursements are anticipated in connection with the currently outstanding MVFT/VRF GO Bonds but could occur in connection with future MVFT/VRF GO Bonds.

Notes continue on following page.

Notes to Table A-4

(8) Represents the portion of Net SR-520 Toll Revenues used to pay debt service on the SR-520 Triple Pledge Bonds.

(9) In response to reduced toll revenues during the fiscal year ended June 30, 2021, the State took various actions to reduce the SR-520 Triple Pledge Bond debt service payment due in that fiscal year, including the use of other available funds to prepay and defease certain of those SR-520 Triple Pledge Bonds maturing in that year. In addition, the enacted 2021 Supplemental Transportation Budget appropriated $18.2 million of other State funds for operations and maintenance costs for the fiscal year ending June 30, 2021 that would otherwise have been required to be paid from toll revenues ahead of debt service. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Toll Revenues—Effect of COVID-19 Pandemic on Toll Transactions and Collections*" below.

Source: Office of the State Treasurer.

Various Purpose GO Bonds

Various Purpose GO Bonds are subject to the Constitutional Debt Limitation. See "—Authorization of Debt and Other Financial Obligations—*General Obligation Debt Limitations*." The State Constitution requires the Legislature to appropriate money for debt service on State general obligation indebtedness that is backed by the State's full faith and credit, and grants the State's courts the power to compel payment of those amounts.

The State legislation authorizing the issuance of general obligation debt requires the State Treasurer to deposit GSRs, or other identified revenues, sufficient to pay debt service into the various bond retirement accounts. Each Omnibus State Operating Budget and Transportation Budget includes the specific appropriations for the payment of bond principal and interest requirements, based upon outstanding bonds and estimated debt service requirements for any additional bonds expected to be issued during the Biennium. Each Omnibus State Operating Budget also includes an appropriation item providing that, in addition to the specified dollar amounts appropriated for bond principal and interest, there are also appropriated such further amounts as may be required or available for those purposes under any statutory formula or under any proper bond covenant made under law.

Amounts necessary for Various Purpose GO Bond debt service are typically appropriated from General Fund–State revenue sources. Certain non-General Fund–State sources (including higher education tuition and fees, and patient fees) are then transferred to the General Fund as reimbursements for discrete portions of that debt service. See "—Payment of Debt and Other Financial Obligations—*Reimbursements*."

Table A-5 shows the aggregate annual debt service requirements for the outstanding Various Purpose GO Bonds.

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Table A-5
Annual Various Purpose GO Bonds Debt Service Requirements
(in $, outstanding as of April 1, 2022, fiscal years ending June 30)

Fiscal Years	Principal	Interest	Total[(1)]
2022[(2)]	$ --	$ --	$ --
2023	729,135,000	639,083,783	1,368,218,783
2024	734,360,000	607,310,540	1,341,670,540
2025	727,900,000	572,691,437	1,300,591,437
2026	728,440,000	537,549,982	1,265,989,982
2027	725,190,000	503,068,379	1,228,258,379
2028	724,745,000	469,029,466	1,193,774,466
2029	733,365,000	435,260,664	1,168,625,664
2030	724,930,000	401,284,854	1,126,214,854
2031	712,400,000	367,735,650	1,080,135,650
2032	710,930,000	333,365,331	1,044,295,331
2033	697,950,000	299,029,406	996,979,406
2034	643,680,000	266,007,881	909,687,881
2035	590,675,000	236,166,881	826,841,881
2036	548,605,000	208,615,041	757,220,041
2037	515,910,000	183,073,725	698,983,725
2038	495,560,000	158,223,325	653,783,325
2039	484,465,000	133,890,375	618,355,375
2040	436,705,000	110,442,656	547,147,656
2041	413,465,000	88,928,281	502,393,281
2042	372,660,000	68,991,500	441,651,500
2043	324,240,000	50,990,375	375,230,375
2044	279,505,000	35,247,750	314,752,750
2045	232,220,000	21,810,375	254,030,375
2046	163,110,000	11,001,625	174,111,625
2047	97,165,000	3,691,625	100,856,625
Total	**$ 13,547,310,000**	**$ 6,742,490,907**	**$ 20,289,800,907**

Totals may not add due to rounding.

(1) Does not reflect the Series R-2022C Bonds expected to be issued on or about May 11, 2022 or the refunding to accomplished thereby. Does not reflect reimbursements. See "— Payment of Debt and Other Financial Obligations—*Reimbursements*" above.

(2) As of April 1, 2022. Debt service requirements for the entire fiscal year ending June 30, 2022 are: principal $694,585,000; interest $614,265,265; total debt service $1,308,850,265.

Source: Office of the State Treasurer.

GO-Backed Transportation-Related Bonds

Transportation projects financed with proceeds of Transportation-Related Bonds are those projects that are eligible to be paid with State Highway Funds (as defined in the State constitution). A small number of multi-modal transportation projects not eligible to be funded with State Highway Funds are financed from time to time with Various Purpose GO Bonds. See "—Payment of Debt and Other Financial Obligations—*Reimbursements*" above.

The Legislature has authorized the issuance of certain Transportation-Related Bonds (MVFT GO Bonds, MVFT/VRF GO Bonds, and Triple Pledge Bonds) supported by a full faith and credit pledge. Full faith and credit bonds payable from MVFT and/or VRF revenues are not subject to the Constitutional Debt Limitation, provided that the Legislature provides for MVFT and/or VRF revenues sufficient to pay debt service. See "—Authorization of Debt and Other Financial Obligations—*General Obligation Debt Limitations*."

—Motor Vehicle Fuel Tax (MVFT) General Obligation Bonds

Certain currently outstanding MVFT GO Bonds were issued as part of the Nickel Package, the Transportation Partnership Package, and other earlier MVFT bond authorizations. Authorized transportation packages are described under "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Motor Vehicle Fuel Taxes (MVFT).*"

Payment of the principal of and interest on MVFT GO Bonds is secured, first, by a pledge of certain MVFT revenues and, second, by a pledge of the State's full faith and credit. The pledge of MVFT revenues constitutes a charge against the MVFT revenues equal to the charge of any other general obligation bonds of the State that have been and may thereafter be authorized, which also pledge, on an equal basis, MVFT revenues for their payment, including bonds issued as MVFT/VRF GO Bonds or as Triple Pledge Bonds. By State law, the Legislature has covenanted to continue to levy the MVFT in amounts sufficient to pay, when due, the principal of and interest on all of the bonds issued under those legislative bond authorizations.

—Motor Vehicle Fuel Tax (MVFT) & Vehicle-Related Fees (VRF) General Obligation Bonds

Additional transportation-related bonds were authorized as part of the Connecting Washington Package. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Motor Vehicle Fuel Taxes (MVFT)*." MVFT/VRF GO Bonds are payable from MVFT revenues and VRFs imposed under Title 46 RCW that constitute license fees for motor vehicles required to be used for highway purposes and to be deposited to the Motor Vehicle Fund. State legislation has also authorized the issuance of future Triple Pledge Bonds that are to be secured by a pledge of MVFT and VRF revenues. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Licenses, Permits, and Fees (LPFs) and Vehicle Related Fees (VRFs)*."

Pursuant to Senate Bill 5898 (signed into law on March 17, 2022 and effective June 9, 2022) future GO-Backed Transportation-Related Bonds that remain unissued under previous authorizations are expected to be issued as MVFT/VRF GO Bonds, including any bonds issued to refund outstanding MVFT GO Bonds.

Payment of the principal of and interest on MVFT/VRF GO Bonds is secured, first, by a pledge of certain MVFT and VRF revenues and, second, by a pledge of the State's full faith and credit. The pledge of MVFT revenues to MVFT/VRF GO Bonds constitutes a charge against the MVFT revenues equal to the charge of any other general obligation bonds of the State that have been and may thereafter be authorized, which also pledge, on an equal basis, MVFT revenues for their payment, including MVFT GO Bonds and SR-520 Triple Pledge Bonds. The pledge of VRF revenues to MVFT/VRF GO Bonds constitutes a charge against the VRF revenues equal to the charge of any other general obligation bonds of the State that have been and may thereafter be authorized which also pledge, on an equal basis, VRF revenues for their payment, including MVFT/VRF GO Bonds or as future Triple Pledge Bonds that are secured by a pledge of MVFT and VRF revenues. By State law, the Legislature has covenanted to continue to levy the MVFT and VRFs in amounts sufficient to pay, when due, the principal of and interest on all of the bonds issued as MVFT GO Bonds, MVFT/VRF GO Bonds, and Other Triple Pledge Bonds to which VRF revenues are pledged.

—Aggregate Debt Service Requirements for MVFT and MVFT/VRF General Obligation Bonds.

Table A-6 shows the aggregate debt service requirements for the currently outstanding MVFT GO Bonds and MVFT/VRF GO Bonds. For MVFT GO Bonds issued as Build America Bonds ("BABs"), debt service requirements are shown in this Appendix without regard to receipt of federal subsidy payments, except where indicated, as in Table A-6. See "SPECIAL INVESTOR CONSIDERATIONS—Risks to Federal Funding—*Sequestration*."

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Table A-6
MVFT GO Bonds and MVFT/VRF GO Bonds Debt Service Requirements(1)
(in $, outstanding as of April 1, 2022, for fiscal years ending June 30)

	MVFT GO Bonds				MVFT/VRF GO Bonds			
Fiscal Years	Principal	Interest	Projected BABs Subsidy(2)	Subtotal (1)(3)	Principal	Interest	Subtotal	Aggregate Debt Service Requirements
2022(4)	$ 26,374,820	$ 37,053,205	$ (22,957,205)	$ 40,470,785	$ 19,380,000	$ 22,887,375	$ 42,267,375	$ 82,738,160
2023	331,937,167	313,519,859	(23,544,259)	621,912,768	21,245,000	44,805,750	66,050,750	687,963,518
2024	341,044,322	302,226,634	(22,701,811)	620,569,146	22,305,000	43,743,500	66,048,500	686,617,646
2025	353,324,917	288,808,361	(21,812,184)	620,321,094	23,415,000	42,628,250	66,043,250	686,364,344
2026	366,545,654	273,153,185	(20,834,161)	618,864,678	24,590,000	41,457,500	66,047,500	684,912,178
2027	368,353,610	257,521,220	(19,774,226)	606,100,603	25,815,000	40,228,000	66,043,000	672,143,603
2028	359,151,468	244,270,932	(18,678,144)	584,744,257	27,115,000	38,937,250	66,052,250	650,796,507
2029	361,766,913	230,277,809	(17,544,685)	574,500,037	28,465,000	37,581,500	66,046,500	640,546,537
2030	360,125,835	215,076,417	(16,372,579)	558,829,674	29,890,000	36,158,250	66,048,250	624,877,924
2031	332,115,000	139,644,912	(15,156,078)	456,603,834	31,380,000	34,663,750	66,043,750	522,647,584
2032	315,010,000	124,348,785	(13,893,472)	425,465,313	32,955,000	33,094,750	66,049,750	491,515,063
2033	291,295,000	109,637,246	(12,585,861)	388,346,385	34,595,000	31,447,000	66,042,000	454,388,385
2034	255,220,000	96,352,218	(11,231,633)	340,340,585	36,335,000	29,717,250	66,052,250	406,392,835
2035	238,610,000	84,320,843	(9,826,374)	313,104,469	38,145,000	27,900,500	66,045,500	379,149,969
2036	223,160,000	73,093,243	(8,368,204)	287,885,039	40,060,000	25,993,250	66,053,250	353,938,289
2037	232,180,000	62,038,354	(6,859,507)	287,358,847	42,060,000	23,990,250	66,050,250	353,409,097
2038	242,555,000	50,627,172	(5,298,519)	287,883,653	44,165,000	21,887,250	66,052,250	353,935,903
2039	252,945,000	38,606,238	(3,683,394)	287,867,845	46,365,000	19,679,000	66,044,000	353,911,845
2040	225,070,000	26,560,962	(2,012,240)	249,618,723	48,690,000	17,360,750	66,050,750	315,669,473
2041	189,495,000	16,295,812	(581,212)	205,209,600	51,125,000	14,926,250	66,051,250	271,260,850
2042	103,005,000	9,215,481	-	112,220,481	53,675,000	12,370,000	66,045,000	178,265,481
2043	73,940,000	5,081,403	-	79,021,403	56,360,000	9,686,250	66,046,250	145,067,653
2044	24,210,000	2,154,500	-	26,364,500	59,175,000	6,868,250	66,043,250	92,407,750
2045	13,180,000	1,006,150	-	14,186,150	46,200,000	3,909,500	50,109,500	64,295,650
2046	9,580,000	411,800	-	9,991,800	31,990,000	1,599,500	33,589,500	43,581,300
Total	**$ 5,890,194,707**	**$ 3,001,302,744**	**$ (273,715,783)**	**$ 8,617,781,667**	**$ 915,495,000**	**$ 663,520,875**	**$ 1,579,015,875**	**$10,196,797,542**

Totals may not add due to rounding.

(1) Does not reflect the Series R-2022D Bonds expected to be issued on or about May 11, 2022 or the refunding to accomplished thereby. Does not reflect expected reimbursements to the Motor Vehicle Fund from tolls on the Tacoma Narrows Bridge and the SR-99 Tunnel. See Table A-4.

(2) Certain MVFT GO Bonds issued in calendar years 2009 and 2010 were issued as BABs. Subsidy amounts shown are the full amounts that the State is eligible to claim, and do not reflect any sequestration or other federal budget reductions. For the fiscal year ended June 30, 2021, the expected payment was reduced by $1,456,514 as a result of sequestration. See "SPECIAL INVESTOR CONSIDERATIONS—Risks to Federal Funding—*Sequestration*."

(3) Net of BABs federal subsidy amounts shown.

(4) As of April 1, 2022. Debt service requirements through the end of the fiscal year ending June 30, 2022 are: principal $354,622,106; interest $367,850,800; total debt service $722,472,907.

Source: Office of the State Treasurer.

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Table A-7 provides a historical comparison of the debt service requirements for the MVFT GO Bonds (net of the BABs federal tax credit subsidy) and MVFT/VRF GO Bonds to the MVFT Revenues and VRF Revenues. As described above, all bonds that have been and may be issued by the State and that pledge MVFT Revenues have an equal charge on MVFT Revenues for their payment. VRF Revenues are pledged only for the payment of MVFT/VRF GO Bonds.

Table A-7
Comparison of
MVFT GO and MVFT/VRF GO Bond Debt Service Requirements
to Available MVFT and VRF Revenues[1]
($ in millions, for fiscal years ended June 30)

Fiscal year:	**2017**	**2018**	**2019**	**2020**	**2021**	**Forecast 2022**
Revenues Available for Debt Service						
MVFT Revenues (A)[2]	$ 1,658.4	$ 1,669.5	$ 1,685.9	$ 1,537.8	$ 1,491.5	$1,578.8
VRF Revenues (B)[3]	454.4	480.0	481.8	436.1	560.9	514.2
Total MVFT and VRF Revenues (C=A+B)	**$ 2,112.8**	**$ 2,149.6**	**$ 2,167.6**	**$ 1,973.8**	**$ 2,052.5**	**$ 2,093.0**
Annual Debt Service Requirements						
MVFT GO Bond Debt Service Requirements (D)[4]	$ 626.7	$ 633.1	$ 654.6	$ 662.3	$ 634.6	$ 656.4
BABs Federal Subsidy Payments (E)[5]	(25.7)	(25.3)	(24.8)	(24.3)	(23.6)	(23.0)
MVFT GO Debt Service Requirements (Net of BABs Subsidy) (F=D+E)	**$ 601.0**	**$ 607.9**	**$ 629.8**	**$ 638.0**	**$ 610.9**	**$ 633.5**
MVFT/VRF GO Debt Service Requirements (G)[4][6]	**--**	**--**	**--**	**13.7**	**34.9**	**66.1**
Total Debt Service Requirements (H=F+G)	**$ 601.0**	**$ 607.9**	**$ 629.8**	**$ 651.7**	**$ 645.8**	**$ 699.5**
Pro Rata portion of MVFT Revenues allocated to MVFT GO Bonds (based on MVFT GO Bond debt service)(I=F/H)[7]	100%	100%	100%	98%	95%	91%
Pro Rata Portion of MVFT Revenues allocated to MVFT/VRF GO Bonds (based on MVFT/VRF GO Bond debt service)(J=G/H)[7]	N/A	N/A	N/A	2%	5%	9%
Ratio of Revenues to Debt Service Requirements						
MVFT GO Bonds – Compared to Portion of MVFT Revenues (K=(A*I)/F)[6]	**2.76x**	**2.75x**	**2.68x**	**2.36x**	**2.31x**	**2.26x**
MVFT/VRF GO Bonds – Compared to Portion of MVFT Revenues plus VRF Revenues (L=((A*J)+B)/G)[7]	**N/A**	**N/A**	**N/A**	**34.11x**	**18.38x**	**10.04x**
All MVFT GO and MVFT/VRF GO Bonds – Compared to All MVFT and VRF Revenues (M=C/H)[7]	**3.52x**	**3.54x**	**3.44x**	**3.03x**	**3.18x**	**2.99x**

Totals may not add due to rounding.

(1) Excludes Triple Pledge Bonds, which are payable from MVFT and/or MVFT/VRF resources only after application of Net Toll Revenues.

(2) Fiscal year 2022 reflects adjusted gross Motor Vehicle Fuel Tax revenues as set forth in the February 2022 TRFC Forecast (Vol. II), dated February 16, 2022. All other fiscal years reflect actuals.

(3) Pledged VRFs, consisting of registration fees, license plate fees, and other vehicle license fees, excluding trailer and camper fees. VRF revenues are legally pledged to the repayment of MVFT/VRF GO Bonds only; they are not legally pledged to repay outstanding MVFT GO Bonds. Fiscal year 2022 reflects the November 2021 TRFC Forecast (Vol IV), dated November 19, 2021. This table is updated only in the June and November forecasts and will next be updated in June 2022. All other fiscal years reflect actuals. See also Table A-34.

(4) Reflects scheduled debt service requirements for the MVFT GO Bonds (or MVFT/VRF GO Bonds, as applicable) outstanding as of April 1, 2022. Does not reflect the Series R-2022D Bonds expected to be issued on or about May 11, 2022 or the refunding to accomplished thereby. Does not include debt service requirements for Triple Pledge Bonds. Does not take into account the receipts of the federal subsidies applicable to bonds issued as BABs. Does not take into account toll revenue reimbursements. Does not take into account Federal reimbursements WSDOT receives for debt service on the Hood Canal Bridge Project.

(5) Actuals through the fiscal year ended June 30, 2021, as reduced by federal sequestration affecting federal subsidy payments relating to BABs. See "SPECIAL INVESTOR CONSIDERATIONS—Risks to Federal Funding—*Sequestration*."

(6) MVFT/VRF GO Bonds were first issued in 2020.

Notes continue on following page.

Notes to Table A-7 (continued)

(7) For illustrative purposes, this table shows MVFT Revenues allocated for the payment of MVFT GO Bonds and MVFT/VRF GO Bonds in proportion to the respective amounts of annual debt service on MVFT GO Bonds and MVFT/VRF GO Bonds. However, under the Bond Act and SFC resolution authorizing the issuance of MVFT/VRF GO Bonds, the State pledges to provide MVFT Revenues and VRF Revenues in amounts sufficient for the payment of MVFT/VRF GO Bonds without any specified priority or proportion of the use of MVFT Revenues and VRF Revenues for that purpose. Consequently, the priority or proportion of the use of MVFT Revenues and VRF Revenues for the payment of MVFT/VRF GO Bonds may vary. To the extent a greater amount of VRF Revenues are allocated for the payment of debt service on MVFT/VRF Bonds, a larger proportion of MVFT Revenues would be available to be allocated for the payment of debt service on MVFT GO Bonds.

Source: Office of the State Treasurer.

—Triple Pledge Bonds (Tolls, MVFT or MVFT/VRF, and General Obligation)

Payment of the principal of and interest on Triple Pledge Bonds is secured by three pledges in the following priority order: first, by a pledge of project-specific toll revenues; second, by a pledge of certain MVFT revenues (or, in the case of the future Other Triple Pledge Bonds described below, MVFT and VRF revenues); and third, by a pledge of the State's full faith and credit.

SR-520 Triple Pledge Bonds. The currently outstanding SR-520 Triple Pledge Bonds are payable, first, from net revenues generated by the tolls imposed on the State Route 520 ("SR-520") floating bridge, available after payment of operating and maintenance costs ("Net SR-520 Toll Revenues"). The pledge of Net SR-520 Toll Revenues constitutes a charge on the Net SR-520 Toll Revenues on a basis that is senior to the pledge with respect to the TIFIA Bond, described below under "*—Other Non-GO Backed Bonds,*" but is junior to two open senior pledge positions. The State has not issued and has no current plans to issue debt in either of the two senior pledge positions. Net SR-520 Toll Revenues available for debt service are transferred into the Toll Facility Bond Retirement Account, a special revenue account within the Transportation Revenue Bond Fund. For more information and a discussion of the impact of the COVID-19 pandemic on SR-520 toll revenues, see "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Toll Revenues*" and "—Major Transportation-Related Expenditures—*Significant Transportation Capital Plan Projects—SR-520 Corridor Program*."

The pledge of MVFT revenues in respect of the SR-520 Triple Pledge Bonds is on an equal basis with the pledge of MVFT revenues to secure the outstanding MVFT GO Bonds and MVFT/VRF GO Bonds. To date, Net SR-520 Toll Revenues have been sufficient to cover all debt service costs on the SR-520 Triple Pledge Bonds. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—Toll Revenues—*Effect of COVID-19 Pandemic on Toll Transactions and Collections*" below.

Table A-8 shows the aggregate debt service requirements for the currently outstanding SR-520 Triple Pledge Bonds. Table A-9 provides a historical calculation of the ratio of Net SR-520 Toll Revenues available for debt service to the aggregate debt service requirements for the SR-520 Triple Pledge Bonds.

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Table A-8
SR-520 Triple Pledge Bonds Debt Service Requirements
(in $, outstanding as of April 1, 2022, for fiscal years ending June 30)

Fiscal Years	Series 2017C Principal	Series 2017C Interest	Series R-2021A Principal	Series R-2021A Interest	Total
2022[1]	$ 2,455,000	$ 1,966,400	$ 11,985,000	$ 19,815,750	$ 36,222,150
2023	2,575,000	3,810,050	12,585,000	19,216,500	38,186,550
2024	2,705,000	3,681,300	13,210,000	18,587,250	38,183,550
2025	2,840,000	3,546,050	13,875,000	17,926,750	38,187,800
2026	2,955,000	3,432,450	14,570,000	17,233,000	38,190,450
2027	3,070,000	3,314,250	15,295,000	16,504,500	38,183,750
2028	3,225,000	3,160,750	16,060,000	15,739,750	38,185,500
2029	3,385,000	2,999,500	16,865,000	14,936,750	38,186,250
2030	3,555,000	2,830,250	17,710,000	14,093,500	38,188,750
2031	3,735,000	2,652,500	18,595,000	13,208,000	38,190,500
2032	3,920,000	2,465,750	19,520,000	12,278,250	38,184,000
2033	4,115,000	2,269,750	20,500,000	11,302,250	38,187,000
2034	4,325,000	2,064,000	21,525,000	10,277,250	38,191,250
2035	4,540,000	1,847,750	22,600,000	9,201,000	38,188,750
2036	4,765,000	1,620,750	23,730,000	8,071,000	38,186,750
2037	5,005,000	1,382,500	24,920,000	6,884,500	38,192,000
2038	5,255,000	1,132,250	26,165,000	5,638,500	38,190,750
2039	5,515,000	869,500	27,475,000	4,330,250	38,189,750
2040	5,795,000	593,750	28,845,000	2,956,500	38,190,250
2041	6,080,000	304,000	30,285,000	1,514,250	38,183,250
Total	**$ 79,815,000**	**$ 45,943,500**	**$ 396,315,000**	**$ 239,715,500**	**$ 761,789,000**

Totals may not add due to rounding.

(1) As of April 1, 2022. Debt service requirements for the entire fiscal year ending June 30, 2022 are: principal $14,440,000; interest $23,748,550; total debt service $38,188,550.

Source: Office of the State Treasurer.

Table A-9
Ratios of SR-520 Triple Pledge Bond Debt Service Requirements to Net SR-520 Toll Revenues
($ in millions, for fiscal years ended June 30)

	Audited					Forecast
Fiscal year:	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**[1]
Net SR-520 Toll Revenues Available for Debt Service[2]	$57.1[3]	$69.5	$70.5	$66.4[4]	$46.0[5]	$58.5
SR-520 Triple Pledge Bond Debt Service Requirements[6]	41.8	43.2	43.2	43.2	26.9[7]	38.2
Ratio of Available Net SR-520 Toll Revenues to Debt Service Requirements	**1.37x**	**1.61x**	**1.63x**	**1.54x**	**1.71x**	**1.53x**

Totals may not add due to rounding.

(1) For the fiscal year ending June 30, 2022, revenues shown are based on the September 21, 2021 Toll and Revenue Table projections, prepared by WSP USA in collaboration with WSDOT, and include approximately $68 million in ARPA funds and other funding sources provided by the Legislature in the 2021-23 Transportation and 2021 Supplemental Transportation Budgets.

(2) Net SR-520 Toll Revenues through the fiscal year ended June 30, 2021 reflect audited revenues. Where noted, amounts shown reflect any deposits to and transfers from the Revenue Stabilization Subaccount established by the SR-520 Master Resolution.

(3) Reflects deposit of $6.7 million into the Revenue Stabilization Subaccount in fiscal year 2017.

(4) Reflects withdrawals of $11.0 million from the Revenue Stabilization Subaccount for the fiscal year ended June 30, 2020.

(5) Reflects the additional funding provided in the 2021 Supplemental Transportation Budget described in Note (1). See also "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Revenue Sources—*Toll Revenues—Effect of COVID-19 Pandemic on Toll Transactions and Collections.*"

(6) Debt service requirements for 2022 are scheduled amounts based on the par amounts outstanding as of April 1, 2022.

(7) Debt service requirements for 2021 reflect the defeasance of an aggregate of $15,402,375 principal amount of SR-520 Triple Pledge Bonds.

Source: Office of the State Treasurer.

Other Triple Pledge Bonds. The I-405 and SR-167 Toll Facilities and Puget Sound Gateway Facility Bond Act passed in 2019 authorized the issuance of the following types of additional Triple Pledge Bonds ("Other Triple Pledge Bonds"), which have not yet been issued:

- ***I-405/SR-167 Toll Facility Triple Pledge Bonds***: Not to exceed $1.16 billion of I-405/SR-167 Triple Pledge Bonds are authorized to be issued and secured, in the following order of priority, by pledges of (1) toll revenues from the expansion of the existing I-405 and SR-167 toll facilities ("I-405/SR-167 Toll Facility") (consisting primarily of toll lanes on portions of I-405 and SR-167), (2) MVFT and VRF revenues, and (3) the State's full faith and credit.
- ***Gateway Facility Triple Pledge Bonds***: Not to exceed $340 million of Gateway Facility Triple Pledge Bonds are authorized to be issued and secured, in the following order of priority, by pledges of (1) toll revenues from the Gateway Facility ("Gateway Facility") (consisting of primarily of toll lanes on portions of SR-167, SR-509, and I-5), (2) MVFT and VRF revenues, and (3) the State's full faith and credit.

The authorized pledge of MVFT revenues is equal to the pledge securing the outstanding MVFT GO Bonds, SR-520 Triple Pledge Bonds, and any future Other Triple Pledge Bonds. The authorized pledge of VRF revenues is equal to the pledge securing the outstanding MVFT/VRF GO Bonds. There are no currently outstanding Other Triple Pledge Bonds.

Non-GO Backed Transportation-Related Obligations

To finance the SR-520 Corridor Program, the State issued GARVEE Bonds, payable solely from federal highway funds, and a TIFIA Bond, payable solely from Net SR-520 Toll Revenues on a basis junior to the SR-520 Triple Pledge Bonds. **These obligations do not constitute either a legal or moral obligation of the State, nor does the State pledge its full faith, credit, or taxing power. These obligations are not subject to (and do not affect calculation of) the Constitutional Debt Limitation.**

- *Federal Grant Anticipation Revenue Vehicle Bonds (GARVEE Bonds)*. The State issued two series of GARVEE Bonds (Series 2012F and Series 2014C) payable solely from Federal-Aid Highway Program funds to be received by the State.
- *TIFIA Bond (Net SR-520 Toll Revenue)*. In 2012, the State incurred a loan under the federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") program. The bond evidencing this loan ("TIFIA Bond") is issued under the SR-520 Master Bond Resolution securing the SR-520 Triple Pledge Bonds and is held by the United States Department of Transportation. The TIFIA Bond is payable solely from Net SR-520 Toll Revenues, which pledge under the SR-520 Master Bond Resolution is junior to the pledge in respect of the outstanding SR-520 Triple Pledge Bonds. Starting December 1, 2023, "excess" toll revenues are subject to prepayment to the Federal Highway Administration. Pledged revenue available for loan prepayment is derived from net toll revenues of the system after (i) meeting all bond covenants, (ii) making all required payments, (iii) setting aside 365 days of working capital. Certain restrictions also apply to deposits to the revenue stabilization subaccount.

Repayment requirements for the GARVEE Bonds and the TIFIA Bond are set forth in Table A-10 and Table A-11. For more information regarding the outstanding GARVEE Bonds and TIFIA Bond, see Note 7 (discussion under governmental activities revenue bonds) in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Table A-10
GARVEE Bonds Repayment Requirements
(in $, outstanding as of April 1, 2022, for fiscal years ending June 30)

	Principal	Interest	Total
2022[1]	$ --	$ --	$ --
2023	87,915,000	11,593,625	99,508,625
2024	92,305,000	7,092,125	99,397,125
2025	96,915,000	2,392,250	99,307,250
Total	**$277,135,000**	**$ 21,078,000**	**$ 298,213,000**

Totals may not add due to rounding.

(1) As of April 1, 2022. Does not reflect the refunding of the Series 2012F GARVEE Bonds under consideration, depending on market conditions. Repayment requirements for the entire fiscal year ending June 30, 2022 are: principal $83,750,000; interest $15,869,938; total $99,619,938.

Source: Office of the State Treasurer.

Table A-11
TIFIA Bond Repayment Requirements
(in $, outstanding as of April 1, 2022, for fiscal years ending June 30)

Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2022[(1)]	$ 1,759,599	$ 4,583,357	$ 6,342,956	2037	$ 5,425,098	$ 7,260,814	$ 12,685,912
2023	3,574,710	9,111,202	12,685,912	2038	5,579,271	7,106,641	12,685,912
2024	3,670,996	9,014,916	12,685,912	2039	5,747,338	6,938,574	12,685,912
2025	3,804,466	8,881,446	12,685,912	2040	5,912,160	6,773,752	12,685,912
2026	3,907,580	8,778,332	12,685,912	2041	6,106,871	6,579,041	12,685,912
2027	4,025,290	8,660,622	12,685,912	2042	16,890,912	6,899,833	23,790,745
2028	4,135,790	8,550,122	12,685,912	2043	17,399,726	6,391,020	23,790,745
2029	4,281,960	8,403,952	12,685,912	2044	17,917,699	5,873,046	23,790,745
2030	4,400,118	8,285,794	12,685,912	2045	18,469,494	5,321,252	23,790,745
2031	4,532,665	8,153,247	12,685,912	2046	19,019,976	4,770,769	23,790,745
2032	4,659,170	8,026,742	12,685,912	2047	19,592,924	4,197,821	23,790,745
2033	4,819,642	7,866,270	12,685,912	2048	20,180,083	3,610,663	23,790,745
2034	4,954,740	7,731,172	12,685,912	2049	20,793,698	2,997,047	23,790,745
2035	5,103,994	7,581,918	12,685,912	2050	21,417,405	2,373,340	23,790,745
2036	5,248,522	7,437,390	12,685,912	2051	22,062,572	1,728,173	23,790,745
				Total	**$ 285,394,467**	**$ 199,888,268**	**$ 485,282,735**

Totals may not add due to rounding.

(1) As of April 1, 2022. Repayment requirements for the entire fiscal year ending June 30, 2022 are: principal $3,470,176; interest $9,215,736; total $12,685,912.

Source: Office of the State Treasurer.

Financing Contracts

—Certificates of Participation

The State issues COPs to facilitate financings for construction and acquisition of real property or personal property by State agencies, including the community and technical colleges and higher education institutions. State agency financing contracts for real property require prior approval of the Legislature. Each participating State agency enters into a State agency financing lease or financing contract that is consolidated with a master financing lease or financing contract of the State, under which the State makes payments to the COP trustee, who uses those funds to pay the COP holders. The State agency obligations are payable only from current appropriations and/or from funds that do not constitute GSRs. The payment obligations of the State and the State agencies are subject to appropriation by the Legislature and Executive Order reduction by the Governor. COPs are not subject to statutory debt limits, are not “debt” under the State Constitution, and their issuance is not subject to the Constitutional Debt Limitation.

The SFC is charged with oversight of financing contracts entered into by the State and State agencies. At the start of each Biennium, OST, as staff to the SFC, reports on prior usage of financing contracts and presents a proposed financing plan for the upcoming Biennium. In addition, the SFC is required by law to establish from time to time a maximum aggregate principal amount payable from payments to be made under financing contracts entered into by the State and State agencies.

Local Option Capital Asset Lending Program. The State also enters into financing contracts on behalf of certain local government agencies that are eligible to participate in the State’s Local Option Capital Asset Lending Program (“LOCAL Program”). Local agencies enter into a local agency financing lease or financing contract with the State acting through the State Treasurer, and local agency payments received by the State Treasurer are used to make payments to the COP holders under the related master financing lease or contract of the State.

The obligations of the local agencies are general obligations of those local agencies, to which they are required to pledge their full faith and credit. The State incurs a contingent obligation to make payments on behalf of a local agency if the local agency fails to make its required payment. This contingent payment obligation of the State is subject to appropriation by the Legislature and to Executive Order reduction by the Governor. If any local agency fails to make a payment when due, the State Treasurer is obligated to withhold an amount sufficient to make that payment from the local agency's share, if any, of State revenues or other amounts authorized or required by law to be distributed by the State to such local agency, if otherwise legally permissible. The State has never had to make a payment on behalf of a local agency under the LOCAL Program.

Table A-12 shows the aggregate debt service requirements for the currently outstanding COPs. Table A-13 shows historical outstanding amounts of COPs. COPs in financing contracts issued for State agencies are paid as operating expenses of the agency and may be reflected in various funds.

Table A-12
Annual Aggregate Payment Requirements for COPs (State and Local Agencies)(1)
(in $, outstanding as of April 1, 2022, for fiscal years ending June 30)

Fiscal	State Agencies		Local Agencies(2)		Aggregate Payment Requirements		
Years	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022(3)	$ -	$ -	$ -		$ -		
2023	96,682,623	35,469,947	15,452,377	5,856,967	112,135,000	41,326,914	153,461,914
2024	87,566,559	30,959,062	14,683,441	5,104,552	102,250,000	36,063,614	138,313,614
2025	69,473,495	27,043,918	13,701,505	4,428,852	83,175,000	31,472,770	114,647,770
2026	58,140,035	23,828,243	11,184,965	3,816,578	69,325,000	27,644,821	96,969,821
2027	56,197,604	20,967,166	10,617,396	3,301,596	66,815,000	24,268,761	91,083,761
2028	47,958,531	18,449,641	8,956,469	2,855,164	56,915,000	21,304,805	78,219,805
2029	44,862,664	16,396,889	6,887,336	2,498,976	51,750,000	18,895,865	70,645,865
2030	39,501,549	14,484,896	6,203,451	2,200,517	45,705,000	16,685,413	62,390,413
2031	33,986,405	12,805,542	4,758,595	1,950,713	38,745,000	14,756,255	53,501,255
2032	31,521,347	11,320,150	3,953,653	1,748,847	35,475,000	13,068,997	48,543,997
2033	29,095,000	9,963,266	3,535,000	1,577,788	32,630,000	11,541,053	44,171,053
2034	24,380,000	8,756,528	3,550,000	1,424,380	27,930,000	10,180,908	38,110,908
2035	25,170,000	7,649,056	3,675,000	1,266,363	28,845,000	8,915,419	37,760,419
2036	25,245,000	6,508,388	3,845,000	1,101,931	29,090,000	7,610,319	36,700,319
2037	24,415,000	5,310,625	3,780,000	931,218	28,195,000	6,241,843	34,436,843
2038	24,715,000	4,143,975	3,935,000	757,450	28,650,000	4,901,425	33,551,425
2039	18,305,000	2,997,000	4,110,000	575,675	22,415,000	3,572,675	25,987,675
2040	11,350,000	2,214,750	4,305,000	385,230	15,655,000	2,599,980	18,254,980
2041	9,025,000	1,693,375	4,430,000	187,115	13,455,000	1,880,490	15,335,490
2042	9,335,000	1,235,500	1,470,000	50,375	10,805,000	1,285,875	12,090,875
2043	6,795,000	808,625	-	-	6,795,000	808,625	7,603,625
2044	7,140,000	460,250	-	-	7,140,000	460,250	7,600,250
2045	3,670,000	190,000	-	-	3,670,000	190,000	3,860,000
2046	1,965,000	49,125	-	-	1,965,000	49,125	2,014,125
Total	**$ 786,495,812**	**$ 263,705,916**	**$ 133,034,188**	**$ 42,020,285**	**$ 919,530,000**	**$ 305,726,202**	**$ 1,225,256,202**

Totals may not add due to rounding.

(1) Does not reflect the Certificates of Participation, Series 2022B (State and Local Agency Real and Personal Property) (the "Series 2022B Certificates") expected to be issued on or about June 28, 2022. Excludes payments on leases supporting 63-20 lease revenue bonds (see Table A-14). Payments of principal and interest are collected from State and local agencies under their financing contracts one month prior to the date on which payments by the State are due on the related master financing contracts of the State.

(2) Payment is a contingent obligation of the State. It is payable by the State only if the local agency fails to make a payment. See "—*Local Option Capital Asset Lending Program*."

(3) As of April 1, 2022. Payment requirements for the entire fiscal year ending June 30, 2022 were: principal $107,565,000; interest $42,921,490; total $150,486,490.

Source: Office of the State Treasurer.

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Table A-13
History of Outstanding Certificates of Participation by Fiscal Year
($ in thousands, outstanding as of dates indicated)

Principal outstanding as of June 30:	2017	2018	2019	2020	2021	4/1/2022(1)
State Agencies						
Real Property	$ 518,384	$ 553,030	$ 605,044	$ 594,948	$ 612,125	$ 588,292
Personal Property	306,869	300,892	288,411	248,801	235,706	198,204
State Agency Obligations – Subtotal	$ 825,253	$ 853,922	$ 893,455	$ 843,749	$ 847,831	$ 786,496
Local Agencies(2)						
Real Property	$ 28,498	$ 25,530	$ 32,601	$ 36,189	$ 88,184	$ 90,416
Personal Property	45,671	45,140	42,239	38,164	48,916	42,618
Local Agency Obligations – Subtotal	$ 74,169	$ 70,670	$ 74,840	$ 74,353	$ 137,099	$ 133,034
Total COPs Outstanding	**$ 899,422**	**$ 924,592**	**$ 968,294**	**$ 918,102**	**$ 984,930**	**$ 919,530**

Totals may not add due to rounding.

(1) Does not reflect the Series 2022B Certificates expected to be issued on or about June 28, 2022.

(2) Payment is a contingent obligation of the State. It is payable by the State only if the local agency fails to make a payment. See "—*Local Option Capital Asset Lending Program*."

Source: Office of the State Treasurer.

—63-20 Lease Revenue Bonds

The State has financed the construction of two State office buildings using 63-20 transactions, involving the issuance of lease revenue bonds by a nonprofit corporation acting on behalf of the State. For each building, the State (as lessee under a long-term financing contract) makes payments to the nonprofit (as lessor), which payments have been assigned to a trustee as security for the lease revenue bonds issued by the nonprofit. Under each contract, the State's obligation to make payments of rent is subject to appropriation by the Legislature and to Executive Order reduction by the Governor. Neither contract is a "debt" under the State Constitution and neither is subject to (or used in the calculation of) the Constitutional Debt Limitation. The State agency lease obligations underlying the 63-20 Lease Revenue Bonds issued on behalf of the State are paid as operating expenses of the agencies using the financed facility and may be reflected in various funds.

- *Tumwater Office Properties*. In 2004, the State entered into such a lease with Tumwater Office Properties ("TOP") for a State office building, currently housing WSDOT and Department of Corrections ("DOC") administrative staff. TOP issued lease revenue bonds in 2014 that refunded the original 2004 bonds to realize debt service savings and a reduction in the State's lease payments.
- *FYI Properties*. In 2009, the State entered into such a lease with FYI Properties for an office building in Olympia to provide office space and a secure State data center for Consolidated Technology Services (also known as Washington Technology Solutions ("WaTech")), as successor to the Department of Information Services. In 2019, FYI Properties issued refunding bonds to realize debt service savings and a reduction in the State's lease payments.

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Table A-14
Payments Under 63-20 Lease Revenue Bonds
(in $, outstanding as of April 1, 2022, for fiscal years ending June 30)

Fiscal	Tumwater Office Properties		FYI Properties		
Year	Principal	Interest	Principal	Interest	Total
2022	$ - [1]	$ - [1]	$ 7,535,000[2]	$ 5,272,700[2]	$ 12,807,700
2023	3,155,000	1,229,275	7,890,000	10,192,000	22,466,275
2024	3,460,000	1,063,900	8,280,000	9,797,500	22,601,400
2025	3,790,000	882,650	8,700,000	9,383,500	22,756,150
2026	4,140,000	684,400	9,135,000	8,948,500	22,907,900
2027	4,510,000	468,150	9,590,000	8,491,750	23,059,900
2028	4,930,000	256,800	10,070,000	8,012,250	23,269,050
2029	3,955,000	79,100	10,570,000	7,508,750	22,112,850
2030	-	-	11,100,000	6,980,250	18,080,250
2031	-	-	11,650,000	6,425,250	18,075,250
2032	-	-	12,235,000	5,842,750	18,077,750
2033	-	-	12,845,000	5,231,000	18,076,000
2034	-	-	13,490,000	4,588,750	18,078,750
2035	-	-	14,170,000	3,914,250	18,084,250
2036	-	-	14,875,000	3,205,750	18,080,750
2037	-	-	15,620,000	2,462,000	18,082,000
2038	-	-	16,400,000	1,681,000	18,081,000
2039	-	-	17,220,000	861,000	18,081,000
Total	**$ 27,940,000**	**$ 4,664,275**	**$ 211,375,000**	**$ 108,798,950**	**$ 352,778,225**

Totals may not add due to rounding.

(1) As of April 1, 2022. Debt service requirements for the entire fiscal year ending June 30, 2022 were: principal $2,875,000; interest $1,380,025; total debt service $4,255,025.

(2) As of April 1, 2022. Debt service requirements for the entire fiscal year ending June 30, 2022 are: principal $7,535,000; interest $10,545,400; total debt service $18,080,400.

Source: Office of the State Treasurer.

School Bond Guarantee Program

The State provides direct credit enhancement for local voter-approved school district bonds through the School Bond Guarantee Program (the "SBG Program") created in 2000. Under the SBG Program, voter-approved local school district general obligation bonds payable from voter-approved local property taxes are guaranteed by the full faith and credit of the State. The State's obligation is a contingent obligation and is excluded from the Constitutional Debt Limitation. Bonds guaranteed under the SBG Program ("Guaranteed Bonds") remain general obligations of the local school district, payable from a voter-approved excess property tax levy that is not subject to levy limitations.

Although not a requirement of the SBG Program, principal and interest for nearly all Guaranteed Bonds currently is payable semiannually on June 1 and December 1. Typically, annual principal payment dates are December 1, and June 1 payments reflect interest only. This schedule tracks with State statutory property tax payment deadlines, which require payment of the first half of a taxpayer's annual property taxes by April 30 and the remainder by October 31.

The county treasurers administer collection of property taxes and are empowered to grant extensions of property tax collection deadlines under certain circumstances. Some collection deferrals were granted in calendar years 2020 and 2021 in response to the COVID-19 pandemic. These deferrals did not cause any school district to experience a delay in the timely payment of debt service on any Guaranteed Bonds. However, the State cannot predict whether any county treasurer may extend collection deadlines in the future or whether such an extension could affect any future payment by any particular school district. For a general description of State-wide property tax collection procedures, see generally "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources—*Property Tax—Property Tax Collection*."

The aggregate amount of all debt service for Guaranteed Bonds State-wide coming due in the current State fiscal year (i.e., the amount paid on December 1, 2021 plus the amount coming due on June 1, 2022) is approximately $1.6 billion, of which approximately $1.3 billion was paid on December 1, 2021. As of April 1, 2022, the longest final maturity of the currently outstanding Guaranteed Bonds is June 1, 2045. The biennial Omnibus State Operating Budget includes an appropriation of amounts sufficient to make all payments as may be required under the SBG Program during the Biennium.

The State has only made one advance under the SBG Program in the program's history. On June 1, 2021, the State made a payment of approximately $3.2 million in respect of the School Bond Guarantee Program to ensure timely payment of debt service on Guaranteed Bonds issued by the school districts located in Mason County, Washington, which payments are made by the county treasurer on behalf of all districts located within the county. The timing of the payment did not reflect any financial difficulties of the school districts or of the county, but rather an internet connectivity issue experienced by the county's depository banking institution, which prevented payment from arriving with the State Fiscal Agent for the Guaranteed Bonds by the cutoff time. Payment from the county on behalf of the school districts was received later in the day and the State's advance was fully reimbursed at that time.

Program Eligibility. Any K-12 public school district in the State may apply to the SBG Program under rules promulgated by the SFC for a Certificate of Eligibility with respect to any voter-approved bonds (including bonds that refund voter-approved bonds) that it intends to issue. Eligibility is not strictly dependent on credit quality, nor are there any substantive structuring requirements that must be adhered to other than a prohibition on acceleration. Once approved by the SFC, the local school district may issue its bonds at any time within one year. A school district is ineligible if it has any outstanding unpaid reimbursement obligations owed to the State for a payment made under the SBG Program until both the State Treasurer and the State Superintendent of Public Instruction make a finding that the school district is "fiscally solvent" under State law. The State Treasurer may prescribe additional program guidelines from time to time.

Refundings. Voter-approved school district debt may not be significantly restructured in a refunding. Under State law, voter-approved general obligation bonds may not be refunded to extend the maturity beyond the original maturity, nor may they increase the annual debt service requirements except for the purpose of rounding out maturities to the nearest $5,000.

Payment Guarantee. A school district issuing bonds guaranteed under the SBG Program remains responsible for paying in full the principal of and interest on its Guaranteed Bonds. If money sufficient to make any scheduled debt service payment is not transferred from the school district's funds to the paying agent in a timely manner, the State Treasurer is required to provide for such payment. The school district must reimburse the State for all money advanced on the school district's behalf, together with interest and penalties established by the State Treasurer consistent with rules promulgated by the SFC. Payments under the SBG Program by the State may not be accelerated (either by mandatory redemption or acceleration resulting from default). Payments by the State may be made only in the amounts and at the times as payments of principal would have been due had there not been any acceleration. The State guarantee does not extend to the payment of any redemption premium.

Reimbursement for Amounts Advanced. The State Treasurer is entitled to recover from a school district any funds paid by the State on behalf of the school district under the SBG Program. If the State Treasurer determines that the State will not be reimbursed in full within one year of any advance made by the State, the State Treasurer may pursue any legal action, including mandamus, against the school district to compel it to meet its repayment obligations to the State and the State is subrogated to the rights of the bondholders. By statute, the State Treasurer may also direct an intercept of local taxes.

SBG Program Statistics. The SBG Program is an ongoing program that may be accessed by school districts at any time. The information in the following tables provides a historical profile regarding the SBG Program and its usage. The State expects that school districts within the State will continue to use the SBG Program at rates similar to those that have occurred historically.

Table A-15 provides a summary of certain key information regarding the SBG Program. Table A-16 provides historical information regarding outstanding debt and debt service requirements for all Guaranteed Bonds over the past five years. Table A-17 lists the ten school districts that currently have the largest aggregate amount of guaranteed debt outstanding.

Table A-15
Summary of Key Information Regarding the School Bond Guarantee Program
(as of April 1, 2022)

Total Par Amount of Outstanding Bonds Currently Guaranteed:	**$**	**15,982,260,149**
Number of School Districts with Outstanding Guaranteed Bond Issues:		**170**
Number of Outstanding Bond Issues Guaranteed:		**461**

Summary Characteristics of SBG Program and Guaranteed Bond Issues:

Historical average of number of issues guaranteed per year (FY 2012 through FY 2022)		48
Historical average original par amount of each issue guaranteed(1)	$	34,393,566
Number of currently outstanding guaranteed issues with original par amounts greater than $100 million		33

Characteristics of School District Debt Service Requirements Guaranteed:	**June 1, 2022**	**December 1, 2022**
Average scheduled guaranteed debt service payment by bond issue(2)	$ 872,663	$ 2,940,682
Average scheduled guaranteed debt service payment by a single school district(3)	2,409,819	8,060,302
Largest scheduled guaranteed debt service payment by a single school district(4)	55,329,531(5)	72,904,631(6)
Total amount of guaranteed debt service due for all districts	401,424,889	1,338,010,111

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(1) Historical averages based on all issues guaranteed over the ten State fiscal years ending June 30 from 2012 through 2022. Includes bonds issued to refund previously issued Guaranteed Bonds. Averages calculated based on number of bond issues; not sorted by bond issuer.

(2) Represents the average of all payments due in respect of currently outstanding Guaranteed Bond issues, by issue. This line item reflects individual bond issues and does not reflect the aggregate amount payable by any single school district. Many issuers have multiple series of Guaranteed Bonds outstanding.

(3) Many school districts have multiple series of Guaranteed Bonds outstanding. Amounts shown in this line item represent average of the aggregate payments by each district on all of that district's outstanding Guaranteed Bonds.

(4) Many school districts have multiple series of Guaranteed Bonds outstanding. Represents the largest guaranteed payment to be made by any single school district on a calendar year 2022 payment date, representing the aggregate of all Guaranteed Bonds issued by that school district.

(5) Represents the cumulative amount to be paid by the Bellevue School District in respect of ten Guaranteed Bond issues.

(6) Represents the cumulative amount to be paid by the Bellevue School District in respect of ten Guaranteed Bond issues.

Source: Office of the State Treasurer.

Table A-16
Debt Service Requirements for Guaranteed Bond Issues
(*in $, for fiscal years ending June 30; as of April 1, 2022*)

Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022(1)**
Average Annual Debt Service Payment (by Series)	$ 2,375,736	$ 2,479,271	$ 2,832,953	$ 3,399,557	$ 3,505,159	$ 3,407,596
Average Annual Debt Service Payment (by School District)	6,411,998	6,848,646	7,841,914	8,979,920	9,691,346	9,965,458
Total Annual Debt Service Payments Guaranteed by SBG Program	1,130,118,576	1,172,240,225	1,346,538,730	1,535,089,620	1,677,528,363	1,625,423,224

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(1) Includes the December 1, 2021 and June 1, 2022 debt service requirements for Guaranteed Bonds issued, through April 1, 2022.

Source: Office of the State Treasurer.

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Table A-17
Top Ten Local School District Issuers
by Guaranteed Par Amount Outstanding
(in $, outstanding as of April 1, 2022)

Name of District	Final Maturity Year	Total Par Amount Guaranteed (in $)	% of All Guaranteed Debt
Tacoma School District 10	2045	$ 986,260,000	6.26%
Bellevue School District 405	2040	781,150,000	4.96
Issaquah School District 411	2033	700,520,000	4.45
Lake Washington School District 414	2038	684,815,000	4.35
Spokane School District 81	2040	567,630,000	3.60
Federal Way School District 210	2041	544,455,000	3.46
Evergreen School District 114	2039	514,850,000	3.27
Shoreline School District 412	2039	480,590,000	3.05
Northshore School District 417	2038	479,395,000	3.04
Bethel School District 403	2041	412,345,000	2.62
Total of Top Ten Districts:		$ 6,152,010,000	38.5%
Aggregate of All Guaranteed Debt:		$ 15,982,260,149	100.00%

Totals may not add due to rounding.

Source: Office of the State Treasurer.

Future Financings

As of April 1, 2022, legislatively authorized but unissued bonds total $5.8 billion of Various Purpose GO Bonds and $7.9 billion of Transportation-Related Bonds. The amount authorized for Transportation-Related Bonds is expected to be issued over a 16-year planning period, and includes MVFT GO Bonds, MVFT/VRF GO Bonds, I-405/SR-167 Toll Facility Triple Pledge Bonds, and Gateway Facility Triple Pledge Bonds. For the 2021-23 Biennium, the Legislature has authorized approximately $258.9 million in Financing Contracts (including a reappropriation of $110.6 million from the 2019-21 Biennium authorization) supporting the issuance of Certificates of Participation.

Depending on market conditions, the State expects to issue the Series R-2022C and R-2022D Bonds on or about May 11, 2022; expects to issue the Series 2022B Certificates on or about June 28, 2022; and expects to issue the GARVEE Refunding Bonds in the second or third calendar quarter. The State anticipates that it will next issue Various Purpose GO Bonds, MVFT GO Bonds, MVFT/VRF GO Bonds, and/or Certificates of Participation later this year. The State considers refunding opportunities as they arise.

The State has no outstanding variable rate obligations, swaps or other derivative contracts, or debt sold in direct placement transactions and has no current plans to issue any of these types of obligations.

STATE BUDGETING AND FORECASTING

The State typically adopts three budgets (the Omnibus State Operating Budget, the State Capital Budget, and the Transportation Budget) on a biennial budget cycle. The Legislature authorizes bond sales through passage of a bond bill associated with the State Capital Budget. The primary biennial budget is typically adopted in odd-numbered years. Supplemental budgets are routinely adopted in even-numbered years and as necessary to make adjustments to appropriations in response to revenue and expenditure changes or to alter funding for a particular purpose.

- *Omnibus State Operating Budget* – The Omnibus State Operating Budget is the largest of the three budgets. It authorizes expenditures for the day-to-day operating expenses of State government, including the expenses of State agencies, colleges and universities, K-12 public schools, and other State programs.
- *State Capital Budget* – The State Capital Budget appropriates funds for the acquisition and maintenance of State buildings, K-12 public schools, higher education facilities, prisons, public lands, parks, and other capital facilities.

- *Transportation Budget* – The Transportation Budget includes appropriations for both operating purposes and capital expenditures, the largest of which relate to maintaining, preserving, and improving the highway system, including ferries.

Economic and Revenue Forecasting

State statute establishes three independent, nonpartisan forecast councils. The ERFC, a seven-member independent State agency, produces economic forecasts and Near General Fund–State revenue forecasts, which inform budgeting and financial planning for the operating budget. The TRFC, which is under the auspices of the Office of Financial Management ("OFM"), produces transportation revenue forecasts, including transportation-related tax, fee, and tolling revenues. The independent CFC produces entitlement caseload forecasts, including entitlement program caseload forecasts and K-12 student enrollment projections.

Economic and Revenue Forecast Council. The ERFC oversees preparation of and approves the quarterly Economic and Revenue Forecasts and the official State Budget Outlook. State law mandates use of the official Quarterly Forecast in developing State operating budget proposals and any necessary operating budgetary actions of the Governor during a Biennium. The ERFC consists of the State Treasurer, plus six members appointed in a bipartisan manner by both the legislative and executive branches. Two members are appointed by the Governor, two by the Senate, and two by the House of Representatives. The legislative appointees are appointed one each by the two largest political caucuses in each house to ensure political diversity on the council. The ERFC members select a Chair from among the legislative appointees.

The ERFC employs a Chief Economist to supervise preparation of the Quarterly Forecasts. The Chief Economist must be reselected every three years by statute and may be removed only by action of at least five members of the ERFC. Each quarter, the Chief Economist submits to the ERFC for approval an official Quarterly Forecast and two unofficial forecasts (one based on optimistic assumptions and one based on pessimistic assumptions). The official Quarterly Forecast and the optimistic and pessimistic forecasts must be approved by an affirmative vote of at least five members of the ERFC. If the ERFC is unable to approve a forecast, the Chief Economist must submit the forecast without approval and it will have the same effect as if approved by the ERFC.

The ERFC also approves the official State Budget Outlook for State revenues and expenditures for Near General Fund–State sources, prepared by a State Budget Outlook Workgroup. The State Budget Outlook Workgroup consists of one senior staff member from each of OFM, OST, the legislative fiscal committees, the CFC (described below) and the ERFC. The State Budget Outlook is prepared twice per year, in January (reflecting the Governor's proposed budget document) and within 30 days after the enactment of an operating budget by the Legislature. The official State Budget Outlook must be approved by an affirmative vote of at least five members of the ERFC. If the ERFC is unable to approve the State Budget Outlook, the Chief Economist must submit the State Budget Outlook without approval and, by statute, the Outlook has the same effect as if approved by the ERFC.

Highlights from the most recent ERFC publications are provided below under "—Highlights from Recent State Economic and Revenue Forecast Council Publications."

Transportation Revenue Forecast Council. OFM has the statutory responsibility to prepare and adopt forecasts not made by the ERFC or the CFC. OFM carries out its forecast responsibilities for transportation revenues through the TRFC. The TRFC is comprised of technical staff of WSDOT, DOL, WSP, OFM, and the ERFC. It prepares quarterly forecasts of major transportation revenues ("TRFC Forecasts"). For a discussion of the most recently released forecast, see "TRANSPORTATION REVENUES AND EXPENDITURES—Transportation Revenue Forecasts." TRFC forecasts are available on the OFM website (www.ofm.wa.gov/budget/transportation-revenue-information). See "TRANSPORTATION REVENUES AND EXPENDITURES —Transportation Revenue Forecasts—Quarterly Transportation Revenue Forecast."

Caseload Forecast Council. The CFC is charged with forecasting education populations and entitlement program caseloads for the State. The CFC meets three times per year (February, June, and November) and adopts a formal projection of caseloads (the "Caseload Forecast") for the current Biennium. The official caseload forecasts are used in preparing the Governor's proposed Omnibus State Operating Budget and by the Legislature in developing the appropriations bills.

The CFC consists of six members, appointed in a bipartisan manner by both the legislative and executive branches. Two members are appointed by the Governor, two by the Senate, and two by the House of Representatives. The legislative appointees are appointed one each by the two largest political caucuses in each house to ensure political diversity on the council. The members select a Chair from among the legislative appointees. The CFC employs a Forecast Supervisor who must be reselected every three years by statute and may be removed only by action of at least five members of the CFC. The CFC oversees the preparation of and approves, by an affirmative vote of at least four members, the official caseload forecast. If the CFC is unable to approve a forecast before a date required, the Forecast Supervisor is required to submit the forecast without approval and, by statute, the forecast has the same effect as if approved by the CFC.

The Caseload Forecast is required by State law to identify the number of persons expected to qualify for and to require the services of public assistance programs, State correctional institutions, State correctional non-institutional supervision, State institutions for juvenile offenders, the common school system (K-12 public schools), long-term care, medical assistance (including the Affordable Care Act or "ACA"), foster care, and adoption support. The Caseload Forecast also develops forecasts of participation in various education and childcare related programs, including the State-funded Washington College Bound Scholarship Program, the State-funded Early Childhood Education and Assistance Program, certain childcare subsidies funded through the Temporary Assistance to Needy Families ("TANF") and Working Connections programs, and those receiving certain services through various State foster care programs.

Budget Process Timeline Overview

The State Constitution requires that all expenditures of State Treasury funds be made pursuant to an appropriation. Continuing appropriations are not permitted beyond the end of a Biennium except for certain dedicated revenue funds and emergency expenditures, which may include payment of bond debt service for a limited period.

State statute requires the Governor to prepare and submit a proposed biennial Omnibus State Operating Budget, State Capital Budget, and Transportation Budget in December, preceding the January start of the legislative session for each odd-numbered year. The Legislature engages in extensive budget deliberations and committee hearings. After revenue and expenditure appropriation bills are passed by the House of Representatives and the Senate, the bills are transmitted to the Governor for signature. The Governor may call for a special session if the Legislature fails to approve a budget before adjourning. The Legislature has approved a biennial Omnibus State Operating Budget during the regular session (without extending into special session) in three of the last five biennia.

The Governor has constitutional "line-item" authority to veto one or more appropriations but may not alter those appropriations. Governors have exercised this line-item veto authority, particularly with respect to appropriations, on a routine basis. Within 45 days after the adjournment (Sundays excepted), the Legislature may, upon petition by a two-thirds majority or more of the membership of each house, reconvene in extraordinary session, not to exceed five days duration, solely to reconsider any bills vetoed.

Budget Requirements and Budget Limitations

—Overview

State statute requires that the Governor propose and the Legislature adopt a two-year Omnibus State Operating Budget that is balanced over four years and leaves a positive ending fund balance in the Near General Fund–State funds (i.e., General Fund–State plus other statutorily designated "related funds" (the "GF-Related Funds"). The statutory definition of "related funds" includes the OPA, the ELTA, and the WEIA. The Legislature added the FSKA to the statutory list as of July 2021 and but has not yet designated revenues or expenditures for the fund. It will be included in future forecast and budget documents when revenues and expenditures are enacted. See "INTRODUCTION—Overview of State Budgeting, Forecasting, Revenue and Expenditures—*Overview of General Fund Revenues and Expenditures–Certain Key Terms Defined*."

The balanced operating budget requirement does not to apply (i) when money is appropriated from the Budget Stabilization Account ("BSA" or "Rainy Day Fund") as permitted under the Constitutional provision allowing such transfers because the employment growth forecast for the fiscal year is estimated to be less than 1%, or (ii) to any appropriations bill adopted between July 1 and February 15 of any fiscal year that makes net reductions in Near General Fund–State appropriations.

Governor's Proposed Budget and Balanced Budget Requirements. The Governor's office works closely with OFM to carry out preparation of the Governor's proposed budgets. OFM is an executive branch agency created by State statute to act as the State's central budget agency and is responsible for preparing the executive budget proposal, monitoring budget implementation, developing and maintaining State administrative and accounting policies, and preparing State-wide financial reports. OFM also monitors and provides estimates and public policy studies of population, economic and demographic factors affecting the State budget, and manages State-wide human resource policy functions. The Director of OFM is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor. All other OFM staff are appointed by the Director, subject to the State civil service system.

The balanced budget requirement applicable to the Governor's proposed operating budget requires that the total of the beginning undesignated fund balance and estimated revenues, less working capital and other reserves, must equal or exceed the total of proposed expenditures, without reliance upon increases in indebtedness, changes in existing tax rates, or other statutory changes. In addition to the proposed balanced operating budget, the Governor may submit an alternative operating budget for the same Biennium that includes expenditures from revenue sources to be derived from proposed changes in statutes. Forecasted revenues for the next ensuing biennium are adjusted to reflect the greater of (i) the then-current official Quarterly Forecast for the next ensuing fiscal biennium, or (ii) the official Quarterly Forecast for the second fiscal year of the current fiscal biennium, increased by 4.5% for each fiscal year of the ensuing biennium.

Beginning with the 2021-23 Biennium, the Governor's proposed balanced operating budget is required leave, in total, a positive ending fund balance in the Near General Fund–State accounts, and the "projected maintenance level" must not exceed the "available fiscal resources" for the next ensuing fiscal biennium. "Projected maintenance level" is defined in statute, generally, to be the estimated appropriations necessary to maintain then-existing programs and levels of service, adjusted by any projected transfer to the BSA as permitted under any provision of the State Constitution. "Available fiscal resources" is defined as the beginning fund balances for the Near General Fund–State accounts and estimated fiscal resources, adjusted for enacted revenue legislation.

The Governor's balanced budget requirement does not apply to any proposed legislation that makes net reductions in the Near General Fund–State (GF-State plus GF-Related Funds) to prevent the Governor from making across-the-board reduction in allotments to address a cash deficit in these funds. If, during a fiscal biennium, there is an anticipated cash deficit in any particular fund or account, the Governor must include proposals as to the manner in which the anticipated cash deficit is to be met, whether by an increase in State indebtedness, by the imposition of new taxes, by increases in tax rates, or by an extension of existing taxes. The Governor also may propose planned elimination of an anticipated cash deficit in a fund or account over one or more fiscal periods. See "INVESTMENTS, FINANCIAL POLICIES, AND RISK MANAGEMENT—Fiscal Monitoring and Controls."

Legislature's Adopted Budget and Balanced Budget Requirements. State statute requires that the adopted biennial budget approved by the Legislature must be balanced over a four-year period. Specifically, (a) the biennial Omnibus State Operating Budget must leave a positive ending fund balance in the Near General Fund–State accounts, and (b) the "projected maintenance level" may not exceed the "available fiscal resources" for the next ensuing Biennium. For this purpose, the "projected maintenance level" means the estimated amount needed to maintain current costs and service levels, plus the amount of any "general fund moneys" projected to be transferred to the BSA as permitted under any provision of the State Constitution. These terms have the same meaning as in the context of the Governor's budget proposal, described above.

—General Fund–Fiscal Growth Factor

Effective July 1, 2020, the State statutory expenditure limit was repealed. The repealing legislation transferred certain responsibilities for monitoring and reporting on fiscal growth to the ERFC, which is now required to calculate and report a "fiscal growth factor" (the average growth in State personal income for the prior ten State fiscal years, adjusted for actual expenditures in the previous year and for certain money transfers and program cost shifts to take into account federal and local revenue). It is also charged with biennially reviewing and making recommendations to the Legislature on additional accounts to be added to the list of GF-Related Funds used in the balanced budget requirements applicable to the Governor's proposed budget and the legislature's adopted budget.

— Budgetary Allotments; Emergency Expenditures; Expenditures in Excess of Budgeted Amounts

State law generally prohibits agencies from incurring any cash deficiency in excess of budgeted appropriations. By statute, OFM is tasked with monitoring operating and capital appropriations and expenditures for all State agencies by developing a system of monthly allotments of expenditure authority, taking into account projected cash flow needs, among other factors. Once the Governor approves the proposed allotments, revisions (accompanied by an explanation of the reasons for significant changes) may be made on a quarterly basis (or more frequently in some cases) at the request of OFM or upon the agency's initiative. In addition, if at any time during the Biennium the Governor projects a cash deficit in a particular fund or account, the Governor may make across-the-board reductions in allotments for that particular fund or account so as to prevent a cash deficit. State law also permits temporary cash deficiencies under the monthly allotments of annual appropriations prepared by OFM, if such temporary deficiencies are approved by the director of OFM.

State law also provides that if an emergency necessitates an expenditure for the preservation of peace, health, safety, or for the carrying on of the necessary work required by law of any State agency for which insufficient or no appropriations have been made, the head of such agency may submit to the Governor duplicate copies of a sworn statement, setting forth the facts constituting the emergency and the estimated amount of money required. If the Governor approves the estimate in whole or in part, the Governor may indorse on each copy of the statement the Governor's approval, together with a statement of the amount approved as an allocation from any appropriation available for allocation for emergency purposes. A copy bearing the Governor's signature may then be transmitted to the head of the agency, thereby authorizing the emergency expenditures.

—Constitutional Budget Stabilization Account (Rainy Day Account or Rainy Day Fund)

Since 2007, the State Constitution has required maintenance of a mandatory Rainy Day Fund (or BSA), which requires the transfer, by the June 30 close of each fiscal year, of at least 1% of General State Revenues for that fiscal year. In addition, by June 30 of the second year of each Biennium, three-quarters of any "extraordinary revenue growth" must be transferred to the BSA, unless the average State employment growth for the preceding Biennium averaged less than 1% per fiscal year. "Extraordinary revenue growth" is defined as the amount by which the growth in General State Revenues exceeds the average biennial percentage growth in General State Revenues over the prior five biennia by more than one third (approximately 33.33%).

Money may be withdrawn and appropriated from the BSA by legislation approved by a simple majority in each house of the Legislature if the Governor declares a state of emergency due to a catastrophic event or if employment growth is forecast by the ERFC to be less than 1% for that fiscal year. In addition, any amount may be withdrawn and appropriated from the BSA at any time by legislation approved by at least three-fifths of the members of each house of the Legislature. When the balance in the BSA, including investment earnings, equals more than 10% of the estimated General State Revenues in any fiscal year, the Legislature, by simple majority approval in each house, may withdraw the balance in excess of that 10% for deposit to the Education Construction Fund.

Table A-18 shows a historical summary of BSA transfers and fund balances for the past five fiscal years and forecast information for the fiscal years ending June 30, 2022 and 2023. *No assurance is given that the forecast results described will be achieved, and actual results may differ materially from those shown.*

The State relied heavily on its BSA fund balance in adopting its 2021-23 biennial budgets in response to revenue shortfalls resulting from the COVID-19 pandemic and its economic effects. See "SPECIAL INVESTOR CONSIDERATIONS—Global Health Emergency Risk and the COVID-19 Pandemic."

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Table A-18
Summary of Historical and Forecast
Budget Stabilization Account Transfers and Fund Balance
($ in millions for fiscal years ended June 30)

	Audited					Forecast[1]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Beginning Fund Balance	$ 550	$ 1,638	$ 1,369	$ 1,618	$ 1,683	$ 19	$ 299
GF-State Transfer to BSA (1%)	198	216	223	237	270	293	294
GF-State Extraordinary Revenue to BSA[2]	925	-	1,648	-	-	-	-
Extraordinary Revenue from BSA to GF-State	-	-	(1,078)	-	-	-	-
BSA Transfer to Pension Stabilization Account	-	(463)	(463)	-	-	-	-
Appropriations from BSA[3]	(38)	(41)	(42)	(200)[4]	(1,960)[5]	-	-
Transfer from BSA for ESHB 2163 K-12 Hold Harmless	-	-	(58)	-	-	-	-
Prior Period Adjustments/Reversions	-	2	3	1	12	-	-
Interest Earnings	3	16	17	27	14	-	2
Ending Fund Balance	**$1,638**	**$1,369**	**$1,618**	**$1,683**	**$ 19**	**$ 312**	**$ 608**

Totals may not add due to rounding.

(1) February 2022 Quarterly Forecast. Changes to the BSA made as a result of the enacted 2021-23 Omnibus State Operating Budget, as amended by the 2022 Supplemental Omnibus State Operating Budget are reflected.

(2) *Extraordinary revenue growth* is defined as the amount by which the growth in General State Revenues exceeds by one-third the average biennial growth in General State Revenues over the prior five Biennia. The transfer of extraordinary revenue growth will be made only to the extent that it exceeds the automatic 1% transfer of General State Revenues pursuant to Article VII, §12(b)(2) of the State Constitution.

(3) In each of fiscal years 2017 through and including 2019, funds were appropriated from the BSA by a three-fifths vote of each house of the Legislature for additional State expenditures, emergency fire service mobilization, fire suppression, and fire damage recovery costs.

(4) In the fiscal year ended June 30, 2020, $175 million was appropriated to the Disaster Relief Account and $25 million to a newly created COVID-19 Unemployment Account to fund emergency response to the coronavirus outbreak. This $25 million was subsequently transferred back into the Budget Stabilization Account in fiscal year 2021 and the COVID-19 Unemployment Account was backfilled with federal coronavirus relief funds.

(5) An additional $164 million was appropriated from the BSA in fiscal year 2021 for COVID-19 relief. The remaining approximately $1.82 billion in the BSA was appropriated to the General Fund–State.

Source: Office of Financial Management and Economic and Revenue Forecast Council.

— Other Restricted Fund Balance for Pandemic Recovery

Legislation in 2021 and 2022 also created three funds or accounts designated as restricted to holding funds related to COVID-19 pandemic recovery:

- ***COVID-19 Public Health Response Account.*** The COVID-19 Public Health Response Account consists of funds appropriated by the Legislature and grants received by DOH for activities in response to the COVID-19 pandemic. Expenditures are restricted to DOH costs related to the public health response to COVID-19, including testing, contact tracing, mitigation activities, vaccine administration and distribution, and other allowable uses for the state, local health jurisdictions, and tribes at the discretion of the Secretary of DOH.

- ***Coronavirus State Fiscal Recovery Fund***. The Coronavirus State Fiscal Recovery Fund is to be used for the deposit of all federal money received by the State pursuant to the State Fiscal Recovery Fund provisions of ARPA. All expenditures are subject appropriation by Legislature only for the purposes authorized in the State Fiscal Recovery Fund provisions of ARPA.

- ***Washington Rescue Plan Transition Account***. This WRPTA is to be used for responding to the impacts of the COVID-19 pandemic including those related to education, human services, health care, and the economy. In addition, the Legislature may appropriate from the account to continue activities begun with, or augmented with, COVID-19 related federal funding.

Current Budgets

—Omnibus State Operating Budget

The Omnibus State Operating Budget appropriates funds for the general day-to-day operating expenses of State agencies, colleges and universities, and K-12 Public Schools. Employee salaries and benefits, leases, goods and services, and public assistance payments are typical operating expenses. More than half of the operating budget is funded by unrestricted revenues deposited to the General Fund, with the balance from federal and other funding sources. Payment of principal of and interest on State Various Purpose GO Bonds is appropriated in the Omnibus State Operating Budget. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund–State Expenditures."

Historically, roughly 80% or more of General Fund–State revenues are derived from three State tax sources: Sales Tax, B&O Tax, and Property Tax. Other General Fund–State revenues are derived from a variety of other taxes, such as real estate excise taxes and public utility taxes, as well as several nontax sources such as license fees and investment earnings. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources."

Table A-19 summarizes appropriations in the 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget, as enacted, from the Near General Fund–State accounts (showing GF–State and GF-Related Funds) and for all other budgeted accounts. Governmental funds are budgeted materially in conformance with generally accepted accounting principles ("GAAP"). However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance. See "INVESTMENTS, FINANCIAL POLICIES, AND RISK MANAGEMENT—Significant Accounting Policies and Procedures."

Table A-19
Summary of Appropriations in
2021-23 Omnibus State Operating Budget
($ in thousands)

	2021-23 Biennium[(1)]				
Activity or Department	**General Fund–State (GF-S)**	**GF-Related Funds[(2)]**	**Total Near General Fund–State[(2)]**		**All Budgeted Funds[(3)]**
K-12 Public Schools	$ 25,941,064	$ 1,826,615	$ 27,767,679	43.3%	$ 33,156,928
Other Human Services[(4)]	11,686,412	128,117	11,814,529	18.4	38,961,152
DSHS	7,645,314	-	7,645,314	11.9	17,971,361
Higher Education	3,910,362	1,204,579	5,114,941	8.0	16,919,440
Bond Retirement & Interest	2,610,318	-	2,610,318	4.1	2,693,152
Governmental Operations	1,646,065	431	1,646,496	2.6	9,524,569
Natural Resources	907,453	-	907,453	1.4	3,096,981
Other[(5)]	6,579,991	39,150	6,619,141	10.3	8,590,417
Total	**$ 60,926,979**	**$ 3,198,892**	**$ 64,125,871**	**100.0%**	**$ 130,914,000**

Totals may not add due to rounding.

(1) Enacted 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget.

(2) Near General Fund–State includes General Fund–State and GF-Related Funds (Education Legacy Trust Account (ELTA), Opportunity Pathways Account (OPA), and (as of July 1, 2020) Workforce Education Investment Account (WEIA)). As of July 25, 2021, the Fair Start for Kids Account (FSKA) was designated as a "related fund" added to the GF-Related Funds.

(3) Includes all budgeted amounts from dedicated accounts, and federal, private/local resources. Some accounts are not budgeted and therefore are not reflected above.

(4) Includes Human Services programs and services provided through 11 State agencies other than DSHS.

(5) Includes appropriations to support judicial and legislative operations, other education programs, special appropriations to the Governor, contributions to retirement systems, State employee compensation adjustments, and sundry claims. Also includes Omnibus operating appropriations to WSP and DOL.

Source: Office of Financial Management.

Summary of Highlights from the 2022 Supplemental Omnibus State Operating Budget. The 2022 Supplemental Omnibus State Operating Budget made appropriations from the Near General Fund–State of $$64.1 billion (a net increase of $11.6 billion over the prior Biennium and $5.1 billion over the initial 2021-23 biennial budget) and appropriations of $130.9 billion in total budgeted funds, including operating expenditures from all budgeted funds excluding those appropriated in the capital and transportation budgets (a net increase of $18.5 billion over the prior Biennium and $8.4 billion over the initial 2021-23 biennial budget). The Governor's vetoes and other lapses for the 2022 Supplemental Omnibus State Operating Budget reduce budgeted appropriations by approximately $12.1 million dollars in the 2021-23 biennium.

Separate legislation enacted during the 2022 legislative session decreased Near General Fund–State resources by a net of $66 million for the 2021-23 biennium. The largest impacts were attributable to replacement of the existing Unclaimed Property Act with the Revised Uniform Unclaimed Property Act and a variety of new and expanded tax incentives.

The constitutionality of the newly enacted capital gains tax is the subject of a legal challenge. See "SPECIAL INVESTOR CONSIDERATIONS—Litigation—*Tax Litigation*."

—State Capital Budget

The State Capital Budget includes appropriations for construction and repair of: State office buildings, college and university buildings, prisons, and juvenile rehabilitation facilities; parks; public schools; housing for low-income and disabled persons, farm workers, and others; and for other capital facilities and programs. Over the past three biennia, over 67% of new appropriations for State Capital Budget expenditures were financed with State-issued bonds, with the remainder from dedicated accounts, trust revenue, and federal funding sources. The State Capital Budget includes reappropriations for projects authorized in a prior Biennium but not fully completed within that timeframe.

Table A-20 summarizes new appropriations in the 2021-23 State Capital Budget, as supplemented by the 2022 Supplemental State Capital Budget, as enacted. Reappropriations of amounts appropriated in prior Biennia are not reflected in Table A-20.

Table A-20
Summary of Appropriations in
2021-23 State Capital Budget
(new appropriations only; $ in thousands)

	2021-23 Biennium[1]			Reappropriations - 2022 Supplemental Budget[1]		
Activity or Department	**State Bonds[2]**	**Other Appropriations[3]**	**All Budgeted Funds[4]**	**State Bonds[2]**	**Other Appropriations[3]**	**All Budgeted Funds[4]**
Education						
K-12 Public Schools	$ 795,730	$ 56,766	$ 929,802	$ 718,582	$ 260,703	$ 979,285
Higher Education	1,033,212	494,289	1,527,501	338,844	50,831	389,675
Other Education	76,554	-	76,554	14,349	-	14,349
Total Education	**$ 1,905,496**	**$ 543,445**	**$ 2,448,941**	**$ 1,071,775**	**$ 311,534**	**$ 1,383,309**
Human Services						
DSHS	$ 183,919	$ 4,705	$ 188,624	$ 146,157	$ 5,197	$ 151,354
Other Human Services[5]	122,385	228,740	351,125	55,111	139,225	194,336
Total Human Services	**$ 306,304**	**$ 233,445**	**$ 539,749**	**$ 201,268**	**$ 144,422**	**$ 345,690**
Natural Resources						
Department of Ecology[6]	$ 268,143	$ 859,751	$ 1,127,894	$ 424,800	$ 807,814	$ 1,232,614
Other Natural Resources[7]	517,726	294,342	812,068	407,805	191,401	599,206
Total Natural Resources	**$ 785,869**	**$ 1,154,093**	**$ 1,939,962**	**$ 832,605**	**$ 999,215**	**$ 1,831,820**
General Government						
Department of Commerce[8]	$ 902,857	$ 1,737,122	$ 2,639,979	$ 721,321	$ 130,170	$ 851,491
Other Government	148,148	72,309	220,457	46,966	51,355	98,321
Total General Gov't	**$ 1,051,005**	**$ 1,809,431**	**$ 2,860,436**	**$ 768,287**	**$ 181,525**	**$ 949,812**
State-wide Total	**$ 4,048,674**	**$ 3,740,414**	**$ 7,789,088**	**$ 2,873,935**	**$ 1,636,696**	**$ 4,510,631**

Totals may not add due to rounding.

(1) Enacted 2021-23 State Capital Budget, as supplemented by the 2022 Supplemental State Capital Budget.

(2) New appropriations funded by State bonds.

(3) New appropriations funded by State taxes and fees and by federal revenues. Does not include $255 million of financing contracts authorized in the capital budget.

(4) Includes all budgeted amounts from dedicated accounts and from federal and private/local resources. Some accounts are not budgeted and therefore are not reflected above.

Notes continue on following page.

Notes to Table A-20 (continued)

(5) Includes DOC, Department of Health, and other departments providing Human Services other than DSHS.

(6) Includes water and stormwater grant and loan programs to local governments and regional entities, including the Centennial Clean Water Fund and toxics cleanup programs.

(7) Includes Recreation and Conservation Funding Board, Department of Natural Resources, Department of Fish and Wildlife, State Parks and Recreation Commission, Washington Pollution Liability Insurance Program, State Conservation Commission, and Department of Agriculture.

(8) Includes almost all major State capital grant and loan programs to local governments and regional agencies, including the Housing Trust Fund, various local infrastructure programs, and the Public Works Trust Fund.

Source: Office of Financial Management.

Summary of Highlights from the 2022 Supplemental State Capital Budget. The 2022 Supplemental State Capital Budget appropriates $7.8 billion for the 2021-23 biennium, an additional $1.5 billion compared to the enacted 2021-23 State Capital Budget, including $107.3 million in available bond capacity; $650 million from a General Fund-State transfer into the Capital Community Assistance Account (CCA); $328.6 million in IIJA grants; $232.8 in Water Pollution and Drinking Water Assistance Accounts; $120.7 million from the Public Assistance Account; and $63 million in all other funds.

The 2022 supplemental budget includes reappropriations totaling $4.5 billion for previously authorized, but not yet completed projects, of which $2.9 billion are financed with bonds.

—Transportation Budget

The biennial Transportation Budget appropriates both operating and capital funding for the major State agencies that perform transportation-related functions and provide transportation-related services, principally WSDOT, DOL, and WSP. Operating programs include tolling, aviation, ferry operations, highway maintenance, traffic operations, public transportation, and various other activities. Capital programs include the construction of roads, buildings, ferry terminals, and building or refurbishing ferry vessels, as well as highway preservation. Funding is generally appropriated by program. In cases where programs have both operating and capital elements, separate appropriations are made for the operating and capital components. Payment of principal of and interest on Transportation-Related Bonds is appropriated in the Transportation Budget.

Table A-21 provides a summary of the enacted 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Transportation Budget.

Table A-21
Summary of Appropriations in
2021-23 Transportation Budget
($ in thousands)

	2021-23 Biennium(1)					
By Agency	**Operating**		**Capital**		**Total Budgeted**	
WSDOT (2)(3)(4)	$ 2,324,763	45.7%	$ 5,729,709	94.1%	$ 8,054,472	72.1%
WSP(3)(4)	552,095	10.9	4,803	0.1	556,898	5.0
DOL(4)	377,086	7.4	-	0.0	377,086	3.4
Other Agencies(4)	57,741	1.1	354,680	5.8	412,421	3.7
Transportation Bond Retirement & Interest	1,774,312	34.9	-	0.0	1,774,312	15.9
All Budgeted Funds in Transportation Budget	**$ 5,085,997**	**100.0%**	**$ 6,089,192**	**100.0%**	**$ 11,175,189**	**100.0%**

Totals may not add due to rounding.

(1) Enacted 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Transportation Budget. Capital portion includes reappropriations of unexpended funds previously appropriated.

(2) Includes non-appropriated amounts that are excluded from Table A-40.

(3) Excludes all appropriations in other legislation outside of the applicable enacted Transportation Budget.

(4) Excludes bond retirement and interest, which is shown as a separate line item.

Source: Office of Financial Management.

Summary of Highlights from the 2022 Supplemental Transportation Budget. The 2022 Supplemental Transportation Budget provides $8.1 billion in appropriations to WSDOT. The budget includes $6.2 billion in capital expenditure authority, including funding for ongoing projects, and various highway, ferry system, and other capital expenditures. The 2021-23 Transportation Budget also included $2.1 billion in expenditure authority in the various operating programs. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Expenditures."

Highlights from Recent Economic and Revenue Forecast Council Publications

The ERFC publishes quarterly Economic and Revenue Forecasts and Monthly Updates. The Quarterly Forecast includes a baseline (official) forecast, as well as optimistic and pessimistic forecasts for the national and state economy. The Monthly Updates include economic data releases and a report of revenue collections for the previous monthly collection period. The ERFC also periodically produces a State Budget Outlook document for use in conjunction with budget deliberations.

The Quarterly Forecasts, Monthly Updates, and State Budget Outlook documents summarized below are available in full on the ERFC's website (erfc.wa.gov). The ERFC also annually prepares a Washington State Economic Climate Study, also available on the ERFC website.

—Summary of Quarterly Economic and Revenue Forecast

The February 2022 Quarterly Forecast is based on a modified version of IHS Markit's February 2022 Control forecast for the U.S. economy. As usual, the forecast incorporates oil prices based on futures markets. The Federal Reserve is expected to raise the target for the federal funds rate in March of this year. The November forecast assumed there would not be a rate hike until March of 2023Inflation is expected to be higher this year compared to the November forecast.

Highlights from the February 2022 official forecast include the following:

- *National Economic Forecast*. The forecast for GDP growth in 2022 is now 3.7%, down from 4.0% in the November forecast. For 2023, real GDP growth is 2.7%, up from 2.5% in the previous forecast and for 2024 real GDP growth is 2.2%, up from 2.1% in the previous forecast. We do not have a new long term forecast from Blue Chip since the October 2021 forecast. The February 2022 forecast is the first to extend to 2026 and 2027. For 2025-27, we assume the same growth rates as in the October Blue Chip long term forecast. We expect growth rates of 2.0%, 2.0%, and 1.9% in 2025 through 2027.
- *Washington Economic Forecast*. Washington personal income grew only 2.0% (SAAR) in the third quarter of 2021 due to reductions in income from Covid-related programs. Washington personal income excluding these programs increased at an 11.0% annual rate. The Washington forecast features higher personal income growth, higher housing construction, and higher inflation than in November, but employment growth is similar.
- *Revenue Forecast*. The total forecast for funds subject to the Budget Outlook process was increased by $1.45 billion in the 2021-23 biennium and $1.32 billion in the 2023-25 biennium.

Optimistic and Pessimistic Forecasts. The ERFC is also required by statute to approve an optimistic forecast and a pessimistic forecast. Despite positive news regarding vaccines, the forecast stated that COVID still creates substantial uncertainty regarding the economy's path. For additional information regarding key drivers and risks to the State's economy, see "SPECIAL INVESTOR CONSIDERATIONS" and "DEMOGRAPHIC AND ECONOMIC INFORMATION."

- *Pessimistic Forecast*. The pessimistic scenario assumes a weaker recovery in consumer spending than in the baseline forecast. In this scenario, the alarming rise in COVID-19 cases and hospitalizations wanes slowly and leads to more caution on the part of consumers, as they refrain from socially-dense consumer activities. In addition, a worsening of ongoing supply-chain issues leads to a prolonged delay in the production and shipment of consumer durable goods. GDP falls at a 0.5% annualized rate in the first quarter and increases at a 1.0% annualized rate in the second quarter of 2022, compared to 1.6% and 4.3% rates of increase in the baseline. The unemployment rate declined to 4.2% in the fourth quarter of 2021. In this scenario, it is expected to rise to 4.5% in the first quarter before continuing to decline at a slower pace than in the baseline, reaching 4.1% by mid-2023.
- *Optimistic Forecast*. The optimistic scenario assumes a quicker recovery of consumer spending and stronger productivity relative to the baseline. We assume the consumer and business response to the

Infrastructure Investment and Jobs Act is more robust than in the baseline, while a quick decline in COVID-19 cases allows for a resumption of strong growth in consumer spending. Moreover, we assume firms continue to capitalize on the productivity gains they achieved during the early stages of the pandemic, which improves corporate profitability. GDP rises at a 5.1% annual rate in the first quarter of 2022 and 4.8% over 2022, compared to 1.6% and 2.9% rates of increase in the baseline. Because of the faster growth of GDP, the unemployment rate quickly falls below 4.0% in early 2022.

—Summary of Monthly Update

The March 2022 Monthly Revenue Update was published on March 14, 2022. It provides an update regarding State revenue for the February 11 - March 10, 2022 collection period. Major General Fund–State revenue collections for the period came in $72.3 million (4.2%) higher than forecasted in the February 2022 Quarterly Forecast. Collections in this monthly report correspond primarily to the January 2022 economic activity of monthly filers.

Revenue Act collections for the current period came in $58.8 million (3.9%) higher than the February forecast. Revenue Act taxes consist of the Sales Tax, B&O Tax, public utility tax, and tobacco products taxes along with associated penalty and interest payments. Adjusted for large one-time payments and refunds, collections increased 9.9% year over year. The 12-month moving average of year-over-year growth increased to 17.0%. Seasonally adjusted collections increased from last month's level.

—Highlights from the State Budget Outlook

The official April 2022 State Budget Outlook (the "April 2022 Outlook") and corresponding methodology were adopted on April 14, 2022. The April 2022 Outlook reflects the February 2022 Quarterly Forecast, the enacted 2022 Supplemental Omnibus Operating Budget, and incorporates the direction provided by the ERFC in response to the March 31, 2022 Memo from the State Budget Outlook Workgroup. The complete State Budget Outlook, Memo, and Budget Outlook Methodology (providing information regarding assumptions and methodology approved by the State Budget Outlook Workgroup) are available on the ERFC website (erfc.wa.gov).

Revenue estimates in the April 2022 Outlook are based on the February 2022 Quarterly Forecast for the 2021-23 Biennium, the 2023-25 Biennium, and a statutory revenue growth assumption of 4.5% for the ensuing 2023-25 Biennium. Expenditure estimates in the April 2022 Outlook for both the 2021-23 Biennium and the 2023-25 Biennium are based on the enacted 2022 Supplemental Omnibus Operating Budget. Pursuant to State statute, the estimated expenditures reflect the cost to continue current programs, entitlement program growth, and actions required by law in the ensuing fiscal biennium. The general approach to estimating the cost to continue current programs and growth in entitlement programs is by applying a historical growth factor to the fiscal year cost or savings associated with a budget item.

Based on these assumptions and the approved methodology, the official April 2022 Outlook projected an ending fund balance for the fiscal biennium ending on June 30, 2023 of $222 million. The projected ending fund balance for the BSA for fiscal biennium ending on June 30, 2023 is $609 million. For the 2023-25 Fiscal Biennium, the April 2022 Outlook projected an ending fund balance in the Near General Fund–State of $374 million, with $1.247 billion in the BSA.

GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES

Major General Fund Revenue Sources

—Overview of General Fund–State Revenues

The State Legislature's authority to enact taxes is constrained only by the State Constitution, including constitutional amendments. Within those State Constitutional constraints, the Legislature may impose various taxes and fees, and controls collection authority. Proposals in the State Legislature to enact statutes limiting or altering State powers to impose and collect taxes and fees from the descriptions provided below may be pending or may be enacted from time to time and could affect State revenues. State-wide initiative measures and referenda may also alter taxes and fees from time to time. See "SPECIAL INVESTMENT CONSIDERATIONS—Ballot Measures." Neither State statute nor voter initiative may bind a future Legislature's authority regarding the exercise of its powers of taxation beyond the State Constitutional constraints, and limitations imposed by statute or voter initiative may be exceeded by future legislative action consistent with the State Constitution.

State tax revenues in the General Fund–State category consist primarily of Sales Tax, B&O Tax, Property Tax, and other excise taxes. The State does not collect a tax on net income. While many State agencies collect some form of revenue, four are principally responsible for administering collection of the major State taxes: the Department of Revenue ("DOR"), DOL, the Liquor and Cannabis Board ("LCB"), and the Office of the Insurance Commissioner. Some State taxes are collected from taxpayers at the local level and remitted to a State agency. The State Treasurer receives the revenues from the collecting agencies and deposits and distributes the funds as required by law.

Year-to-date revenue collection information provided in this section is unaudited. Forecast information reflects the February 2022 Quarterly Forecast and speaks only as of its date, except for adjustments to incorporate forecast revenues from 2022 enacted legislation where noted. No assurance is given that the forecast results described will be achieved, and actual results may differ materially from those shown. Due to the COVID-19 pandemic, forecast future revenue collections may not necessarily be accurately predicted by reliance on historical data or trends.

Table A-22 summarizes the major General Fund–State tax revenue sources for the past five years, plus forecast information for the fiscal years ending on June 30 in the years 2022 and 2023.

Table A-22
General Fund–State Tax Revenues by Source
($ in millions, for fiscal years ended June 30)

	Audited[1]					Forecast[2]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Retail Sales and Use Tax	$ 10,133	$ 10,925	$ 11,864	$ 12,015	$ 13,290	$ 14,624	$ 15,083
Business & Occupation Tax[3]	3,821	4,151	4,436	4,597[4]	4,958[4]	5,478[4]	5,541
Property Tax[5]	2,086	2,740	2,403	3,465[6]	4,410[6]	4,360	4,512
Real Estate Excise Tax[7]	1,006	1,089	1,094	1,086	1,460	1,849	1,330
Taxes on Utilities[7]	482	478	489	483	500	589	615
Taxes on Alcohol, Tobacco, & Marijuana Products [8]	822	838	859	874	953	948	926
Other Tax Revenue Sources[9]	968	986	821	870	880	974	1,000
Total	**$ 19,317**	**$ 21,207**	**$ 21,965**	**$ 23,390**	**$ 26,452**	**$ 28,822**	**$ 29,006**

Totals may not add due to rounding.

(1) The State's financial statements are prepared on a modified accrual basis.

(2) February 2022 Quarterly Forecast, adjusted for revenue legislation passed in the 2022 legislative session. Revenue forecast includes estimates of penalties and interest.

(3) Excludes taxes on utility business operations, which are subject to various utility taxes captured under "Taxes on Utilities" line item.

(4) In order to provide taxpayer relief during the COVID-19 pandemic, DOR implemented programs to grant temporary deferrals of collections of certain B&O taxes, which may affect the year of recognition of certain revenues. See Table A-25 (Note 2).

(5) Revenues from property taxes are determined to be available if collectible within 60 days. Since the State operates on a fiscal year ending June 30, the first half year property tax collections (due April 30) are recognized as revenue if collectible within 60 days of the June 30 fiscal year end. See "—*Property Tax*."

(6) In order to provide taxpayer relief during the COVID-19 pandemic, several county treasurers exercised their statutory authority to extend payment deadlines during calendar year 2020 for broad categories of taxpayers or process requests for extensions and deferrals on a case-by-case basis from taxpayers experiencing financial difficulties relating to the COVID-19 pandemic. These collection deferrals shifted the accounting recognition of some State property tax revenues into the fiscal year ending June 30, 2021. See generally, "SPECIAL INVESTOR CONSIDERATIONS—Global Health Emergency Risk and the COVID-19 Pandemic."

(7) Fiscal year 2020 collections were affected by a large number of closings on high-dollar-value transactions in calendar year 2019, prior to the January 1, 2020 effective date of a statutory change adopting a graduated REET tax rate schedule. Tax collections shown in fiscal years 2020 and subsequent years reflect the implementation of the new graduated rate schedule midway through fiscal year 2020. See "—*Real Estate Excise Tax*."

(7) Includes public utilities tax, public utility district privilege tax, brokered natural gas tax, and certain other taxes on utilities. See "—*Other State Taxes*."

(8) Includes various tobacco taxes (cigarette tax, other tobacco products tax, and tribal cigarette tax); marijuana excise tax; various alcohol taxes (spirits liter/liquor tax, liquor sales tax (and surcharge), beer tax, and wine tax); and soft drinks syrup tax. See generally "—*Other State Taxes*" for descriptions of these various taxes.

(9) Includes timberlands compensating tax, insurance premium tax, penalties and interest on taxes, and the following taxes, which collectively comprise less than 0.5% of all State tax revenues: leasehold excise tax, watercraft excise tax, intermediate care facility tax, commercial fishing privilege tax, estate/inheritance taxes, and other excise taxes. Includes penalties and interest. See "—*Other State Taxes*."

Source: Office of Financial Management.

—Retail Sales and Use Taxes (Sales Tax)

The largest source of State tax revenue is the retail sales tax together with its companion use tax (referred to together as the Sales Tax unless otherwise indicated by context). Nearly all State Sales Tax receipts are deposited into the General Fund, with few exceptions. Table A-23 summarizes historical taxable retail sales and tax collections.

Table A-23
Historical Taxable Retail Sales
and Sales and Use Tax Collections[1]
($ in thousands, for fiscal years ended June 30)

Fiscal Years ended June 30	State-wide Total Taxable Retail Sales	Sales and Use Tax Collections: State	Sales and Use Tax Collections: Local
2012	$ 111,410,531	$ 7,241,685	$ 2,773,940
2013	118,959,820	7,732,388	2,751,146
2014	127,474,204	8,285,823	3,198,364
2015	136,122,910	8,847,989	3,461,970
2016	148,053,881	9,623,502	3,806,699
2017	156,887,881	10,197,712	4,124,577
2018	169,145,092	10,994,431	4,874,572
2019	183,625,175	11,935,636	5,264,162
2020[2]	185,937,545	12,085,940	5,413,809
2021[2]	205,746,781	13,373,541	5,831,404

(1) Data shown in this table reflects unaudited tax return data compiled by DOR. Does not reflect refunds or other adjustments. Does not match revenues reported in audited financial statements due to timing issues relating to when revenue is recorded.
(2) Sales tax collections were initially heavily impacted by the COVID-19 pandemic and subsequently recovered substantially. The impact is reflected primarily in the fiscal year ended June 30, 2020.

Source: Department of Revenue (Tax Statistics, Table 4, as of December 2021).

Tax Basis and Exemptions. In general, the State Sales Tax is imposed on consumers within the State purchasing a broad base of tangible personal property and selected services, including construction (labor and materials), machinery and supplies, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax applies to certain services and personal property on which a sales tax was not collected (e.g., purchase in a state with no sales tax). Exemptions include most personal and professional services, motor vehicle and special fuels (both of which are subject to separate excise taxes, described below), food and food ingredients (other than prepared food), vehicle trade-ins, manufacturing machinery, and purchases for resale. There is no general exemption for State agencies or local governments from paying the sales and use tax. The tax base and exemptions may be altered by the State Legislature or through the State-wide initiative process.

Collections. Sales taxes are collected by the seller from the consumer. Use taxes are payable by the consumer. Counties collect use taxes imposed on the use of motor vehicles. Each seller (and each county) is required to hold taxes in trust until remitted to DOR, typically monthly. DOR centrally administers and collects both State and local sales taxes and makes disbursements to local governments and to State accounts on a monthly basis. Disbursements lag approximately two months behind collections.

State Tax Rates. The current State Sales Tax rate is 6.5% and was last increased in 1983. When combined with local option sales and use taxes, total retail sales and use tax rates within the State (except taxes on the sale of new and used vehicles, addressed below) in effect as of January 1, 2022, range from 7.0% to 10.5%.

Local Option Taxes and Credits against State Sales Tax. State statutes authorize certain local jurisdictions to optionally impose up to 4.0% in additional local sales and use tax increments for specific local purposes. Some of these statutes require voter approval within the local jurisdiction. Local jurisdictions are not authorized to impose taxes on sales of motor vehicles. The local taxes are imposed on the same retail sales as the State Sales Tax and are collected by DOR. Under certain statutes, local rates are offset by a reduction in the State Sales Tax rate, creating an automatic pass-through of revenue to the local jurisdictions as State contributions to certain projects or programs. These offsets have the effect of reducing the amount of State Sales Tax revenue retained by the State, subject to annual statutory caps above which the pass-through is suspended and the revenue is retained by the State.

Motor Vehicle Sales Tax. Each retail sale, rental, or lease of a motor vehicle is subject to an additional sales tax of 0.3% of the selling price. The additional tax applies to sales, rentals and leases of motor vehicles including passenger cars, sports utility vehicles, pickup trucks, commercial trucks, recreational vehicles, motorcycles, and buses. It does not apply to farm tractors, farm vehicles, off-road vehicles, non-highway vehicles, and snowmobiles. Unless a specific exemption applies, these sales remain subject to the regular sales tax.

Taxation of Internet Sales and Marketplace Fairness Act. The State's Marketplace Fairness Act requires remote sellers and marketplace facilitators with more than $100,000 in combined gross receipts sourced or attributed to taxable activity within the State during calendar year to collect and remit sales and use tax. Remote sellers with more than $100,000 in combined gross receipts sourced or attributed to taxable activity within the State must also report B&O tax.

Sales Taxes on Recreational Marijuana and Marijuana Products. Retail sales of recreational marijuana and marijuana products, legalized in 2012, are subject to State and local sales taxes. A sales tax exemption for sales of medical marijuana went into effect in 2017. Additional taxes on marijuana and marijuana-related products are described under "—Other State Taxes—*Taxes on Alcohol, Tobacco and Other Products*" and in Table A-28.

—Business and Occupations Tax (B&O Tax)

The State imposes a "gross receipts" excise tax known as the B&O Tax on the privilege of engaging in business activities within the State. Exemptions apply to utility business activities that are subject to the State's public utility tax. See "*—Other State Taxes—Taxes on Utilities*." Cities are also authorized to impose business and occupation taxes, subject to State statutory maximums. The basis for local taxes does not necessarily align precisely with the State taxes and collection is not centralized. Local B&O taxes are collected in addition to State B&O Taxes, and no credits or deductions are allowed from State B&O Taxes in relation to local B&O taxes.

Tax Basis, Rates, and Exemptions. The State imposes the B&O Tax at varying rates depending on the class of business and based on the value of products, gross proceeds of sales, or gross income of the business, as applicable. While the rates range from 0.138% (for various food processing activities) to 3.3% (for disposal of radioactive waste) of gross receipts, most are under 0.5%. Certain businesses are exempted, and deductions and credits are allowed. B&O Tax rate reductions and tax credits for specific categories of businesses are enacted from time to time. Business income from the retail sale of marijuana and marijuana products are subject to the B&O Tax.

Table A-24
Representative B&O Tax Rates by NAICS Industry Classifications
(in effect January 1, 2022)

Frequently Reported NAICS Industry Classifications[(1)]	Representative Tax Rate[(2)]
Retailing	0.471%
Service and Other Activities[(3)]	Range: 1.500% to 2.720%
Wholesaling	0.484%
Manufacturing (nonspecified)	0.484%
Insurance (Agents, Brokers)	0.484%
Financial Institutions[(4)]	1.200%
Other Industry Classifications[(5)]	Range: 0.138% to 3.300%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. B&O Tax rates apply to business activities and do not necessarily correspond to the NAICS industry classification system. The information in this table is intended to assist readers in understanding the degree to which the State's B&O Tax revenue may be concentrated.

(2) Representative tax rates shown are those suggested by the business activities likely to be carried out by businesses within the general NAICS classification. These rates may not apply to all or any of the business activities carried on by any particular businesses within a NAICS classification.

(3) See "Workforce Education Investment Surcharge" below.

(4) Effective January 1, 2020, a tax on each "specified financial institution" that is a member of a consolidated financial institution group that reported on its consolidated financial statement for the previous calendar year annual net income of at least $1 billion (not including net income attributable to non-controlling interests). This tax was challenged and upheld in the Washington State Supreme Court, however the State cannot predict whether this ruling may be appealed to the U.S. Supreme Court. See "SPECIAL INVESTOR CONSIDERATIONS—Litigation—Tax Litigation."

(5) Category reflects a variety of narrow or industry-specific classifications, including specified types of manufacturing and other activities.

Source: Department of Revenue.

Workforce Education Investment Surcharge. Legislation adopted in 2020 imposed a simplified surcharge of 1.22% on select advanced computing businesses and increased the B&O tax rate on certain services and other activities from 1.5% to 1.75%. The increased services rate does not apply to any business whose gross income subject to service and other activities B&O tax was below $1 million in the preceding calendar year, businesses subject to the select advanced computing surcharge, and hospitals. Proceeds of this surcharge are deposited to the WEIA and may be used only for higher education programs, higher education operations, higher education compensation, and state-funded student aid programs. Expenditures from the WEIA must be used to supplement, not supplant, other federal, state, and local funding for higher education.

Collections. State B&O Taxes are collected by DOR via an online return filing system. Taxpayers may file monthly, quarterly, or annually, based on estimated yearly business income. Filing deadlines for monthly and quarterly filers occur at the end of the subsequent filing period. For example, for taxable activity occurring in March, monthly returns are due at the end of April and quarterly returns are due at the end of June. This creates lag between taxable activity and collections. Nearly all receipts from State B&O Taxes are deposited into the State General Fund.

Table A-25 provides historical information about B&O Tax collections through the fiscal year ended June 30, 2021. Table A-26 provides information by North American Industry Classification System (NAICS) code for returns filed for taxes due in the calendar year indicated.

Table A-25
Historical B&O Tax Collections[1]
($ in thousands, for fiscal years ended June 30)

Fiscal Year	Collections
2012	$ 3,130,753
2013	3,311,594
2014	3,250,359
2015	3,396,730
2016	3,633,250
2017	3,826,274
2018	4,156,327
2019	4,440,702
2020[2]	4,633,201
2021[2]	5,285,225

(1) Table reflects unaudited tax return data compiled by DOR and does not reflect refunds or other adjustments. Data shown does not match revenues reported in audited financial statements due to timing issues relating to when revenue is recorded.

(2) In recognition of the economic hardships being experienced by taxpayers during the COVID-19 pandemic, DOR administratively made available options for payment plans for certain excise taxes, including B&O Tax and certain other excise taxes administered by DOR. In some cases, this affected the year in which certain revenues were received and recorded. As of July 1, 2021, no new COVID-19 partial payment plans are being implemented; however, existing plans will be maintained through June 30, 2022.

Source: Department of Revenue (Tax Statistics, Table 4, as of December 2021).

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Table A-26
B&O and Public Utility Taxes by NAICS Code(1)
(Calendar Year 2020)

NAICS Industry Classifications(2)	Estimated Number of Businesses(3)	B&O and Public Utility Tax(4) *(in $)*
Agriculture, Forestry, Fishing, & Mining(5)	4,437	$ 19,716,589
Utilities(6)	804	520,642,053
Construction	54,049	318,732,769
Manufacturing	15,565	359,335,626
Wholesale Trade	21,228	600,040,497
Retail Trade	56,643	727,239,846
Transportation & Warehousing	11,721	40,123,769
Information	6,842	305,141,680
Finance, Ins, Real Estate, & Prof Services	104,789	1,730,310,673
Education, Health, & Social Services	33,020	581,373,201
Entertainment, Recreation, Lodging, & Food Services	29,524	97,818,915
Personal Services, Public Admin., & Other	31,752	71,820,731
Total	370,374	$ 5,372,296,349

Totals may not add due to rounding.

(1) Represents taxes due based on combined excise tax return data for the calendar year 2020. In recognition of the economic hardships being experienced by taxpayers during the COVID-19 pandemic, DOR administratively made available options for payment plans for certain excise taxes, including B&O Tax and certain other excise taxes administered by DOR.

(2) Industry classifications are based on NAICS codes.

(3) Based on combined excise tax return data collected by DOR.

(4) Represents total of B&O Tax and Public Utility Tax due after available deductions and credits, based on combined excise tax return data collected by DOR.

(5) Agriculture sector does not include revenue from the production of agricultural products, as that revenue is exempt from the B&O Tax.

(6) The Public Utility Tax is a gross receipts tax on utilities in lieu of the B&O Tax on utility businesses. See "—Other State Taxes—*Taxes on Utilities*."

Source: Department of Revenue (Quarterly Business Review Calendar Year 2020.

—Property Tax

The State imposes a regular *ad valorem* Property Tax on real and personal property within the State. Local jurisdictions also impose *ad valorem* property taxes. Assessment and collection are handled at the county level.

Overview of Property Taxing Authority. *Ad valorem* property taxes apply to all real property and tangible personal property located within a taxing jurisdiction, unless exempted by general State law. Real property includes land, structures, and certain fixtures. Taxable personal property includes machinery, equipment, and supplies owned by businesses. Inventories are exempt from property tax. Most personal property owned by individuals is exempt from property taxation. Exemptions and deferrals are available for certain low-income seniors, persons with disabilities, and veterans. Certain classes of property (e.g., used by a nonprofit or religious organizations) may be exempted.

Levy Rates and Amounts. Table A-27 shows historical State Property Tax levy amounts. Under current law, the maximum State property tax rate is $3.60 per $1,000, but the actual amount levied and collected is subject to the 101% levy lid described below under "—Regular Property Tax Limitations—*Amount Increase Limitation ("101% Levy Lid")*."

Table A-27
Historical State Property Tax Levy Amounts
($ in thousands)

Calendar Year[(1)]	Levy Amount
2013	$ 1,935,947
2014	1,975,407
2015	2,024,545
2016	2,061,913
2017	2,113,187
2018[(2)]	3,338,717
2019[(2)]	3,355,165
2020	4,123,554
2021	4,357,695
2022	4,469,092

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(1) Property taxes are levied and collected on a calendar year basis. Table reflects amount levied for collection in each calendar year. Actual collections during each State fiscal year are reflected in the State's financial statements and are split between fiscal years. See also Table A-20, above.

(2) Significant property tax increases enacted in response to the *McCleary* Ruling (see below) were first collected in calendar year 2018. The first half of this increase is reflected in the State's ACFR for the fiscal year ended June 30, 2018, and the second half is reflected in the State's audited financial statements for the fiscal year ended June 30, 2019.

Source: Department of Revenue.

State Regular Property Taxes Are Dedicated to Funding K-12 Public Schools. Beginning in calendar year 2018, the Legislature added new State revenues specifically for K-12 public school funding in response to the *McCleary* Ruling regarding funding for K-12 public schools. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund–State Expenditures—*K-12 Public Schools—State Constitutional Duty to Fund K-12 Basic Education*". As part of fulfilling the State's "paramount" constitutional duty to fund basic education under the *McCleary* Ruling, the State's Property Tax is statutorily restricted to funding K-12 public schools, including debt service on bonds issued by the State for K-12 school capital construction projects. Notwithstanding this statutory dedication of the Property Tax, the State Constitution requires receipts of the State's regular Property Tax levy to be deposited into the General Fund and treats them as GSRs, which are pledged for the payment of debt service on general obligation indebtedness. In the event of a conflict, the State is unable to predict whether the State Supreme Court would prioritize the pledge to bondholders over the fulfillment of the State's "paramount" constitutional duty to fund education.

Assessed Valuation and State Equalized Value. The State Constitution provides that all real estate constitutes a single class, the assessed value of which is equal to 100% of its fair market value, as determined by the locally elected county assessor using procedures prescribed by DOR. An exception exists for certain agricultural properties and timberlands eligible for special use classification that may be valued based on current use, subject to a compensating tax imposed when such properties are removed from the current use classification. For purposes of the State Property Tax levies, DOR annually surveys each county to calculate a ratio of real property assessed values to fair market value and determines an equalization ratio for each county, which generates a State Equalized Value.

County assessors determine the value of all other real property and personal property in their boundaries (other than certain public service and utility properties assessed centrally by DOR) in accordance with valuation methods prescribed and controlled by statute and by detailed DOR regulations. Three approaches to real property valuation are permitted: market data, replacement cost, and income generating capacity. In general, property is subject to a revaluation every year based on market statistics and an on-site appraisal every six years. Though the intent is to reflect 100% of market value, the infrequency of on-site appraisals can lead to assessed values that lag behind market and other adjustments. Assessed valuations are subject to revisions by the county Board of Equalization and, for certain property, subject to further revisions by the State Board of Tax Appeals. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the county assessor on a roll at its current assessed value.

Regular Property Tax Limitations. Under the State's laws and Constitution, property taxes are classified as either "regular" or "excess." The State is authorized to levy both types. Property taxes at rates and in amounts in excess of certain limitations may require majority or supermajority voter approval. The State does not currently impose any levies requiring voter approval.

Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts. The tax limitations described below are based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations.

Constitutional "Uniformity" Requirement and Overlapping Levy Capacity. The State Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of the taxing district levying the tax. Because various taxing districts may overlap, the aggregate levy rate on any two tax parcels within a taxing district may not be identical, resulting in the reduction of local taxing district levies in order to comply with statutory and constitutional aggregate rate limits described below. The State's levies are not subject to this reduction or elimination based on aggregate rate limitations. Increases in the State levy may, however, reduce the available levy capacity for certain local taxing district levies.

Levy Rate Limitations. Regular property taxes are subject to constitutional and statutory individual and aggregate rate limitations. The aggregate of all regular levies imposed on any given tax parcel by the State and all overlapping taxing districts (except port districts and public utility districts) is limited by the State Constitution to 1% of the "true and fair value" of property. Within the State Constitution's 1% limitation, State statutes limit the aggregate of regular levies by local taxing districts (with certain exceptions) to not more than $5.90 per $1,000 of assessed value. For calendar year 2021, the State's levy rate was set at $2.70 per $1,000, adjusted to the State equalized value. Beginning with the levy for collection in calendar year 2022, the maximum amount that the State may levy is subject to the 101% Levy Lid, discussed below, and the maximum possible levy rate may not exceed $3.60 per $1,000, adjusted to the State equalized value. The levy rate for collection in calendar year 2022 is $2.50 per $1,000 of assessed value, adjusted to the State equalized value.

Amount Increase Limitation ("101% Levy Lid"). State statute limits the amount of any regular levy by any taxing district (including the State for calendar year 2022 and thereafter), for any year to the highest amount that could have been levied in any prior year, multiplied by a specified percentage (the "limit factor"), plus an adjustment for new construction, annexations, certain improvements to property, and State-assessed property. The limit factor is generally defined as the lesser of 101% or 100% plus inflation. The amount limitation may be exceeded upon approval of a simple majority of voters. Because this limitation is statutory, it may be (and has in the past been) suspended or amended by the Legislature or by State-wide initiative. Most recently, the Legislature suspended application of this limitation to the State's regular levies for collection in calendar years 2018 through 2021.

Relationship between Assessed Values, Rate Limitations and the 101% Levy Lid. As a general matter, as assessed values rise, the 101% Levy Lid becomes the binding constraint on a taxing district's ability to grow its levy amount. As assessed values fall, however, the levy rate limitations become the binding constraint on the taxing district's ability to grow its levy amount.

Property Tax Collection. Property taxes are collected at the county level. The method of giving notice of taxes due, accounting for the money collected, the allocation and distribution of tax receipts among the State and the various taxing districts, giving notices of delinquency, and collection procedures are all covered by State statute and DOR regulation. Each county assessor calculates the levies and extends the taxes on the tax rolls that are delivered to the county treasurer (a separate elected official in all but one county) by January 15. County treasurers are responsible for collection of taxes due to each account. Property taxes are due and payable on April 30 of each calendar year, but if the amount due from a taxpayer exceeds $50, one half may be paid by April 30 and the balance must be paid no later than October 31. Delinquent taxes are subject to interest at the rate of 12% per year computed on a monthly basis from the date of delinquency until paid. Interest on delinquent taxes is credited to the county's current expense fund. Additional statutory penalties are also applied and credited to the account of the taxing district.

During a state of emergency declared by the Governor under RCW 43.06.010(12) and 84.56.020(10), State law permits county treasurers, on the county treasurer's own motion or at the request of any taxpayer affected by the emergency, to grant such extensions of the property tax payment due date as the county treasurer deems proper. Further, the Governor may, among other actions, waive or suspend the application of tax due dates and penalties relating to collection of taxes.

By law, foreclosure of a tax lien on real property may not be commenced until three years have passed since the first delinquency. The automatic lien for payment of property taxes is prior to all other liens or encumbrances of any kind except for certain federal liens and the possible application of the State "homestead exemption." A federal lien on personal property that is filed before a State or local personal property tax is levied is senior to the State or local personal property tax lien. A federal civil judgment lien (but not a federal tax lien) is senior to a lien for real property taxes that are levied after the judgment lien has been recorded.

The State has a statutory Homestead Law, which gives the occupying homeowner a right to retain a portion of the proceeds of a forced sale. In 2021, this exemption was raised to the greater of $125,000 or the county median sale price of a single-family home in the preceding calendar year. Legal authorities are in disagreement regarding whether the homestead right is superior to the lien for property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption is superior to the lien for property taxes, while the State Attorney General has taken the position that the property tax lien is superior.

—Real Estate Excise Tax (REET)

The State imposes a REET on sales of real property (including transfers of controlling interests in entities that own real property). The tax is a percentage of the selling price, which includes the amount of any liens, mortgages, or other debts, and is typically paid by the seller of the property. The State REET is collected at the county level by the various county treasurers and remitted to the State. The counties retain 1.3% of State revenues to defray costs of collection. State REET revenues are primarily deposited to the State General Fund, with small percentages deposited to accounts that fund K-12 public schools and local government assistance programs. The State REET is in addition to locally imposed real estate excise taxes.

Beginning January 1, 2020, the State REET rates shifted from a flat 1.28% to a graduated rate schedule, as follows: 1.1% on the first $500,000 of the selling price; 1.28% on the portion of the selling price that is greater than $500,000 but equal to or less than $1.5 million; 2.75% on the portion of the selling price greater than $1.5 million, but equal to or less than $3.0 million; and 3% on the portion of the selling price that is greater than $3.0 million. A flat rate of 1.28% is imposed on the sale of undeveloped land, timberland, agricultural land, and water or mineral rights, regardless of selling price. Beginning on July 1, 2022 and every four years thereafter, DOR adjusts the selling price thresholds by a factor equal to the lesser of 5.0% or the growth in the Consumer Price Index for "shelter" over those four years (but not less than 0%).

—Other State Taxes

Taxes on Utilities. The State imposes several types of taxes on the gross receipts of certain utility operations. These taxes are generally in addition to State B&O Taxes except in the case of income derived from sales to consumers, which is subject to the State public utility tax.

Marijuana Products Excise Tax and Licensing Fees. The State currently imposes an excise tax at a rate of 37% of the selling price on each retail sale of marijuana concentrates, useable marijuana, and marijuana-infused products. The marijuana excise tax is collected by the LCB and all receipts are deposited into the Marijuana Account for restricted purposes; only a portion is available for distribution to the General Fund–State.

This excise tax is in addition to Sales Tax on retail sales, the State B&O Tax on income from such retail activity, and various licensing fees on producers and processors. See also "—Retail Sales and Use Taxes (Sales Tax)—*Sales Taxes on Recreational Marijuana and Marijuana-Related Products*" and "—Business and Occupations Tax (B&O Tax)."

Table A-28 provides information on historical excise tax collections and license fees since retail sales of recreational marijuana began in the fiscal year ended June 30, 2015.

Table A-28
Total Historical Marijuana Excise Tax Collections and License Fees[(1)]
($ in millions, for fiscal years ended June 30)

Fiscal Year	Marijuana Excise Tax Collections	Marijuana License Fees
2015	$ 64.6	$ 1.6
2016	186.0	3.0
2017	315.2	3.9
2018	362.0	5.4
2019	390.4	5.2
2020	469.2	4.8
2021	555.4	4.1
2022 (partial)[(2)]	268.3	2.2

(1) Only a portion of these revenues are distributed to the State General Fund. Excludes sales tax applicable to sales of recreational marijuana products and B&O tax applicable to certain marijuana businesses in addition to the marijuana excise taxes and license fees. See "*—Retail Sales and Use Taxes*" and "*—Business and Occupations Tax*."
(2) Reflects taxes collected during the period from July 1, 2021 through December 31, 2021.
Source: Washington State Liquor and Cannabis Board.

Other Excise Taxes. The State imposes various taxes on liquor, wine, beer, marijuana products, soft drink syrup, and vapor products. The State also imposes a number of other excise and privilege taxes, including a leasehold excise tax, an insurance premium tax, a watercraft excise tax, an intermediate care facility tax, a commercial fishing privilege tax, an estate tax, and various other excise taxes. Collectively, these other excise and privilege taxes comprise less than 1% of total General Fund–State tax revenues.

—Other General Fund Revenue Sources

General Fund-Federal. General Fund–Federal revenues fund various programs and services, principally K-12 public schools and human services programs. Federal resources are used primarily to pay for federal entitlement programs in human services and federal education programs. Many federal programs make funds available only on a reimbursement basis or conditioned upon State match requirements. See "SPECIAL INVESTOR CONSIDERATIONS—Risks to Federal Funding."

Federal COVID-Relief Funding. To alleviate economic impacts of the COVID-19 pandemic, Congress passed a series of federal relief packages, including the CARES Act, the Families First Coronavirus Response Act, CRRSA Act, and ARPA which includes $1.9 trillion of funding for individuals, businesses and state and local governments to mitigate the impacts of the COVID-19 pandemic. The State expects to receive more than $10.6 billion in funding under ARPA.

General Fund Private/Local. General Fund–Private/Local revenues are received from foundations, local governments, commercial enterprises, and private individuals under agreements that restrict the use of such revenues. These funds are not typically available to pay debt service.

—Near General Fund–Related Funds and Revenue Sources

Statutorily designated "related funds" referred to as the GF-Related Funds are required by statute to be taken into account for purposes of ERFC forecasting and certain statutory balanced budget limitations. See "STATE BUDGETING AND FORECASTING—Budget Requirements and Budget Limitations."

- ***Education Legacy Trust Account***. The ELTA is primarily funded by an Estate Tax on estates over $2 million, plus revenue from the State's Public Utility Tax and REET. Revenue from the recently enacted Capital Gains Tax is also intended to fund the ELTA once collections commence. See "*—Capital Gains Tax*" below. The ELTA is a special revenue fund in the Higher Education Fund and may be used only for support of K-12 public schools, certain higher education purposes, and in support of early learning programs.
- ***Opportunity Pathways Account***. The OPA is an administrative account in the General Fund funded by State lottery revenues. Expenditures from this account may be used only for certain education and research programs, including charter schools.

- ***Workforce Education Investment Account***. The WEIA was created by legislation enacted in 2019 and is funded from the Workforce Education Investment Surcharge on certain B&O Taxes. Expenditures from this account may be used only for higher education programs, higher education operations, higher education compensation, and state-funded student aid programs. See "*—Business and Occupations Tax (B&O Tax)*."

- ***Fair Start for Kids Account***. The FSKA was created be legislation enacted in 2021 as part of the Fair Start for Kids Act and expenditures may only be used for childcare and early learning purposes. Currently, the FSKA has no defined revenue stream or spending authority.

Capital Gains Tax. An excise tax on the sale or exchange of long-term capital assets of 7.0% multiplied by an individual's Washington capital gains was recently enacted to fund the ELTA. Only individuals are subject to payment of the tax. The law includes a standard deduction and exemptions based on the type of asset sold or exchanged, as well as various deductions and credits. The new tax has an effective date of January 1, 2022, but first tax payments are not due until April 2023. Multiple lawsuits have been filed challenging the Capital Gains Tax on constitutional grounds. See "SPECIAL INVESTOR CONSIDERATIONS—Litigation—*Tax Litigation*."

Major General Fund–State Expenditures

—Overview

The largest expenditure areas from General Fund–State sources are K-12 public schools and human services, followed by higher education, transfers to debt service funds, governmental operations, and natural resources. See "STATE BUDGETING AND FORECASTING—Current Budgets—*Omnibus State Operating Budget*."

- *K-12 Public Schools* – Appropriations for K-12 public schools account for approximately half of all budgeted General Fund–State resources. Nearly all appropriations for K-12 public schools come from Near General Fund–State sources.

- *Human Services* – Appropriations for human services (DSHS and Other Human Services) account for nearly one-third of all budgeted General Fund–State resources. This represents only a portion of total funding for human services, which also receives significant contributions from federal, local, and private resources.

—K-12 Public Schools

K-12 public school education is provided by 295 local school districts governed by locally elected school boards and subject to the supervision of the Superintendent of Public Instruction, a State-wide elected executive branch office created in the State Constitution.

Approximately half of General Fund–State resources are budgeted to support the K-12 public schools. This includes direct funding for local K-12 public school districts (including general apportionment, special education, pupil transportation, levy equalization, compensation adjustments, and other categories). Budget appropriations for K-12 public schools are based forecasts developed from January enrollment numbers. As of the October 2021 count, K-12 public school enrollment for the 2020-21 school year was approximately 1,004,000 students, including enrollment in Running Start programs (a college credit program for high school students through the community and technical colleges). The 2021-22 enrollment forecast is for approximately 1,008,000 students, including K-12 and Running Start. To assist K-12 schools with expenses incurred due to the COVID-19 pandemic, school districts in the State are expected to receive a total of approximately $1.668 billion of federal ARPA funds. OSPI expects to receive an additional approximately $185.3 million.

State's "Paramount" Constitutional Duty to Fund K-12 Basic Education. The State Constitution provides that "It is the paramount duty of the State to make ample provision for the education of all children residing within its borders" and "The legislature shall provide for a general and uniform system of public schools." In 1978 (*Seattle School Dist. No. 1 v. State*), the State Supreme Court interpreted these provisions to require the State to "fully fund" a "program of basic education" for all students in the State. The Court reaffirmed that decision in 2012 (*McCleary v. State of Washington*) (the "*McCleary* Ruling"). Under these rulings and legislative reforms approved by the State Supreme Court in 2018, the State takes primary responsibility for funding a "program of basic education" throughout the State by making distributions to each of the 295 local school districts pursuant to a complex set of funding formulas, which depend on enrollment forecasts provided by the CFC. Since the *McCleary* Ruling, State funding for K-12 public schools has more than doubled, primarily funded by increases in the State Property Tax described above.

Table A-29 shows biennial funding from State resources for K-12 public schools over the past five Biennia and the current Biennium.

Table A-29
Biennial State Operating Funding for K-12 Public Schools
($ in thousands)

Fiscal Biennium (July 1-June 30)	**Near General Fund–State Resources**(1)
2011-13	$ 13,549,500
2013-15	15,265,522
2015-17	18,122,604
2017-19	22,654,745
2019-21(2)	26,619,696
2021-23(3)	27,767,679

(1) Audited information through the 2019-21 Biennium; information for the 2021-23 Biennium taken from the February 2022 Quarterly Forecast. General Fund–State represents the largest share, as shown in Table A-31. Figures shown here include budgeted expenditures from General Fund–State and GF–Related Funds sources.

(2) For 2019-21, includes $3.0 million from WEIA.

(3) Enacted 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget. For 2021-23, includes $7.4 million from WEIA.

Source: Office of Financial Management and Legislative Evaluation and Accountability Program Committee.

Local School District Property Tax Levy Authority Limited. Because it is the State's responsibility to fund "basic education," local tax levy authority is restricted by State law to seeking voter approval for levies to pay for "enrichment" programs and for certain capital projects (two- to six-year capital levies). These restrictions depend on the size of the district. District local levies may not exceed the lesser of (1) $2.50/$1,000 of assessed value, or (2) $2,500 per student (for districts with fewer than 40,000 students) or $3,000 per student (for larger districts). These local levy funds may only be used for "enrichment" purposes and are in addition to voter approved levies for general obligation bonds. To mitigate disparities between areas with higher and lower property tax values (and thus relatively greater or lesser ability to generate local levy funds), the State apportionment formulas also provide "local effort assistance" to districts located in areas with low property tax values.

State Role in Local School Construction. The State provides direct financial assistance to local school district capital construction projects through appropriations in the State Capital Budget. The enacted 2021-23 State Capital Budget, as supplemented by the 2022 Supplemental State Capital Budget includes approximately $845 million for school construction and related programs, approximately $796 million is expected to come from the proceeds of State general obligation bonds. OSPI is responsible for administering the K-12 capital budget and the School Construction Assistance Program. The State also provides indirect support for local school construction by guaranteeing local debt through the SBG Program. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—School Bond Guarantee Program."

Charter Schools. Only nonsectarian public benefit nonprofit organizations may operate State-funded charter schools, which are overseen by the Washington State Charter School Commission, an independent State agency established under legislation adopted in 2016 and validated by the State Supreme Court in 2018. Funding comes entirely from State lottery revenues and is not legally permitted to reduce General Fund–State resources dedicated to K-12 public schools.

—Human Services

Funding for human services is the second largest General Fund–State expenditure activity, comprising approximately one-third of Near General Fund–State budgeted expenditures in each of the last several years. Of the General Fund–State resources budgeted for Human Services, approximately half are for services provided by DSHS and half are for "Other Human Services," provided by Washington State Health Care Authority ("HCA"), DOC, DOH, the Department of Children, Youth, and Families ("DCYF"), and others. Additional funding for human services comes from federal sources.

Department of Social and Health Services. DSHS is the State's largest agency, responsible for administering a wide variety of social services and institutions, including State psychiatric hospitals, institutions for the developmentally disabled, child support enforcement activities, drug and substance abuse treatment programs, support for aging adults, and vocational rehabilitation services. It consists of five direct service administrations and two support administrations that manage DSHS's budget and provide research and data services, accounting services, consolidated business support and maintenance services, and a variety of other support services.

Washington State Health Care Authority. The HCA is the State's largest health care purchaser, purchasing health care for over 2.8 million Washington residents as of February 2022, through Apple Health (Medicaid), the Public Employees Benefits Board ("PEBB") program, and the SEBB program.

- *Apple Health (Medicaid)*. Apple Health is the State's low-income health care program, including Medicaid, that provides physical and community behavioral health services to over 2.17 million clients as of February 2022. More than 300,000 Washington residents enrolled in Apple Health since the onset of the COVID-19 pandemic. A component of the federal relief available to states for COVID-19 pandemic relief is a 6.2% increase in the federal Medical Assistance Percentage ("FMAP"). These funds are available through the quarter in which the public health emergency ends. One condition of receiving these funds is that the state must provide continuous eligibility for Medicaid enrollees. This is one factor contributing to the increase in the Medicaid caseload. Once the current public health emergency ends HCA will resume eligibility reterminations and will have 14 months to work through the backlog. It is expected that the Medicaid caseload will decline as HCA addresses this work.
- *Public Employees Benefits Board (PEBB)*. The PEBB provides insurance benefits for eligible public employees and retirees. HCA purchases benefits within the funding approved by the Legislature. The PEBB establishes eligibility requirements and approves benefit designs for insurance and other benefits, and the HCA contracts with insurance companies and manages certain self-insured plans (e.g., the Uniform Medical Plan and Uniform Dental Plan). There are approximately 386,000 members (including active and retired employees and their dependents) enrolled in PEBB medical coverage as of February 2022.
- *School Employees Benefits Board (SEBB)*. The SEBB is the sole provider of medical, dental, vision, life, accidental death and dismemberment, and disability insurance to eligible employees of local school districts, educational service districts, and charter schools. HCA is the purchaser for the SEBB program plan offerings which include several self-insured plans. There are approximately 270,000 members enrolled in SEBB medical coverage as of February 2022.
- *Health Benefit Exchange.* The HCA administers the appropriation for the Washington Health Benefit Exchange ("HBE"), an independent public-private partnership entity that manages the application and enrollment system for the individual health insurance market and Apple Health enrollees. HBE also manages Cascade Care public option offerings.

Department of Children, Youth, and Families. DCYF serves at-risk children and youth. DCYF oversees several services previously offered through DSHS (including all programs previously offered by the DSHS Juvenile Rehabilitation division and the Office of Juvenile Justice) and all services previously provided by the Department of Early Learning.

Department of Corrections. As of December 31, 2021, DOC operated 12 State correctional institutions with a capacity to house approximately 18,217 incarcerated individuals. It additionally operates 11 work release facilities serving approximately 342 individuals. DOC leases approximately 372 additional rental beds in-State and no out-of-State beds. As of December 31, 2021, the average total number of individuals in prison confinement was 12,546 and prison confinement was 68.9% of operational capacity. Due to the COVID-19 pandemic and need to provide more physical distancing within the State's correctional facilities, the Department has implemented a limited transfer of individuals to minimum security camps and work release facilities.

—Higher Education

State-supported higher education institutions include two research universities (University of Washington and Washington State University, each of which operates two additional branch campuses), four regional institutions (Central, Eastern, and Western Washington Universities and The Evergreen State College), 34 community and technical colleges, and the Northwest Indian College. The two primary sources of funding at public institutions for the cost of instruction are tuition and State support. State appropriations for higher education are discretionary and not driven by formulas, enrollment, or caseloads. Unlike K-12 public schools, the State Constitution has not been interpreted to mandate State support for higher education.

Near General Fund–State Statements of Revenues and Expenditures

The General Fund is the principal State fund supporting the operations of State government. It is used to account for all financial resources other than those required to be accounted for in another fund. Most of the State's unrestricted revenues are deposited to the General Fund, and most of the State's general operating expenditures are paid from the General Fund. For budgeting and forecasting purposes, the State designates its General Fund revenues as General Fund–State, General Fund–Federal, and General Fund–Private/Local to indicate the general source of revenues. Information displayed in this section for the Near General Fund–State funds reflects the General Fund–State plus the General Fund–Related Funds. The primary source of repayment for Various Purpose GO Bonds is General Fund–State resources. However, not all General Fund resources are available to pay debt service on State debt and other obligations. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Authorization of Debt and Other Financial Obligations—*General Obligation Debt Limitations*" and "—*General State Revenues*."

Table A-30, Table A-31, Table A-32, and Table A-33 present historical, current, and forecast Near General Fund–State Statement of Revenues and Resources, Expenditures, and Fund Balance. Information for the fiscal years ending June 30 in the years 2022 and 2023 is taken from the February 2022 Quarterly Forecast prepared by the ERFC pursuant to State statute. See "STATE BUDGETING AND FORECASTING—Economic and Revenue Forecasting" and "—Highlights from Recent Economic and Revenue Forecast Council Publications." *Forecast information presented below speaks only as of the date it was prepared and is a "forward-looking statement." Historical information may not be indicative of future expectations in light of the COVID-19 pandemic.*

Table A-30
Near General Fund–State Revenues
($ in millions, for fiscal years ended June 30)

	Audited(1)					Forecast(2)	
Fiscal year	**2017**	**2018**	**2019**	**2020(3)**	**2021(3)**	**2022**	**2023**
Revenues – GF-State							
Taxes							
Retail Sales & Use Tax	$ 10,133	$ 10,925	$ 11,864	$ 12,015	$ 13,290	$ 14,624	$ 15,083
B&O Tax	3,821	4,151	4,436	4,597	4,958	5,478	5,541
Property Tax(4)	2,086	2,740	2,403	3,465	4,410	4,360	4,512
Other Taxes(5)	3,277	3,391	3,263	3,313	3,793	4,360	3,871
Non-Tax Revenue							
Licenses, Permits and Fees	137	136	147	154	166	166	168
Other Miscellaneous Income(6)	270	359	293	268	351	331	282
Interest Income (Loss)	15	11	25	4	17	47	31
Total Revenues – GF-State	**$ 19,739**	**$ 21,712**	**$ 22,430**	**$ 23,817**	**$ 26,986**	**$ 29,366**	**$ 29,487**
Revenues – GF-Related Funds(7)							
Education Legacy Trust Account (ELTA)	$ 252	$ 439	$ 1,484	$ 1,023	$ 794	$ 812	$ 930(8)
Opportunity Pathways Account (OPA)	127	129	167	147	186	169	175
Workforce Educ Inv Account (WEIA)	-	-	-	35	365	334	349
Total Revenues – GF-Related Funds	**$ 379**	**$ 568**	**$ 1,651**	**$ 1,206**	**$ 1,345**	**$ 1,316**	**$ 1,454**
Total Revenues – Near GF-State	**$ 20,118**	**$ 22,280**	**$ 24,081**	**$ 25,023**	**$ 28,331**	**$ 30,682**	**$ 30,941**

Totals may not add due to rounding.

(1) The State's audited financial statements are prepared on a modified accrual basis. Tax and non-tax revenues sourced directly from ERFC.

(2) February 2022 Quarterly Forecast, adjusted for revenue legislation enacted in the 2022 legislative session.

(3) As a result of extensions of tax collection deadlines in order to provide taxpayer relief in light of the COVID-19 pandemic, some calendar year 2020 taxes (including certain property taxes, B&O taxes and other Revenue Act taxes) will be received and/or recognized in the fiscal year ending June 30, 2021 that would otherwise have been expected to be recognized in the fiscal year ending June 30, 2020.

Notes continue on following page.

Notes to Table A-30 (continued)

(4) Property taxes are levied and collected on a calendar year basis. Since the State operates on a fiscal year ending June 30, under both the modified accrual basis and cash basis, the first half year property tax collections (due April 30) are generally reflected in one State fiscal year and second half collections (due October 31) are reflected in the following State fiscal year. Property tax increases for collection in calendar year 2018 are reflected over the fiscal years ended June 30, 2018 and 2019. The one-year rollback of the rate for calendar year 2019 is reflected in fiscal years 2019 and 2020. The calendar year 2020 increase is reflected in fiscal years 2020 and 2021.

(5) Includes liquor, beer and wine, tobacco, boat and timber excise taxes, estate and inheritance taxes, public utility taxes, insurance premium taxes and other tax sources, among others.

(6) Includes liquor profits and fees, lottery transfers, and other non-tax revenues.

(7) WEIA was added to the GF-Related Funds beginning with the fiscal year ending June 30, 2021. FSKA was added in July 2021. Tax revenues deposited into the GF-Related Funds are restricted to K-12, higher education, workforce training, childcare, and early learning purposes.

(8) The February 2022 Quarterly Forecast for the fiscal year ending June 30, 2023 includes $233.0 million from the capital gains tax enacted in the 2021 Legislative session, which is the subject of a legal challenge. See "SPECIAL INVESTOR CONSIDERATIONS—Litigation—*Tax Litigation*."

Source: Office of Financial Management.

Table A-31
Near General Fund–State Statement of Expenditures
($ in millions, for fiscal years ended June 30)

	Audited[1]					Budgeted[2]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Expenditures – GF-State							
Education[3]							
K-12 Public Schools	$ 9,280	$ 10,072	$ 11,872	$ 12,178	$ 12,439	$ 12,941	$ 13,000
Higher Education	1,621	1,579	1,652	1,740	1,808	1,900	2,010
Other Education	122	139	30	34	34	38	45
Total Education	$ 11,023	$ 11,790	$ 13,554	$ 13,952	$ 14,281	$ 14,89	$ 15,055
Human Services							
DSHS	$ 3,289	$ 3,557	$ 2,942	$ 3,096	$ 3,064	$ 3,149	$ 4,497
HCA	2,027	2,014	2,646	2,964	2,852	3,123	3,563
DOC	959	987	1,049	1,139	1,183	965	1,347
Other Human Services	113	122	680	977	1,051	1,222	1,467
Total Human Services	$ 6,388	$ 6,680	$ 7,317	$ 8,177	$ 8,149	$ 8,459	$ 10,873
Natural Resources and Recreation	$ 158	$ 179	$ 173	$ 258	$ 277	$ 442	$ 465
Government Operations	281	287	316	371	389	498	1,148
General Fund Transportation	41	45	48	61	61	70	70
Transfers to Debt Service Funds[4]	1,116	1,125	1,153	1,180	1,207	1,267	1,344
Other GF-State Expenditures[5]	332	342	376	(33)	219	2,609	3,425
Total Expenditures – GF-State	**$ 19,339**	**$ 20,448**	**$ 22,937**	**$ 23,967**	**$ 24,584**	**$ 28,223**	**$ 32,381**
Total Expenditures – NGF–O Funds[6]	$ 399	$ 521	$ 778	$ 1,467	$ 1,579	$ 1,151	$ 2,048
Total Expenditures – Near GF-State	**$ 19,738**	**$ 20,969**	**$ 23,715**	**$ 25,433**	**$ 26,163**	**$ 29,374**	**$ 34,429**

Totals may not add due to rounding.

(1) The State's audited financial statements are prepared on a modified accrual basis.

(2) Fiscal years ending June 30, 2022 and 2023 reflect the enacted 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget. All budgets are prepared on a GAAP cash basis.

(3) Reflects expenditures from General Fund–State sources only. Additional education expenditures from GF-Related Funds is shown in a separate line item ("Total Expenditures – GF-Related Funds"). GF-Related Funds are restricted to K-12, higher education, workforce training, childcare, and early learning purposes.

(4) Debt service payments net of reimbursements from non-General State Revenues, such as tuition fees, admission taxes, parking taxes, and certain King County sales and use taxes.

(5) Includes legislative and judicial agencies and other special appropriations. Fiscal year ending June 30, 2021 includes $403 million in State General Fund actual reversions, fiscal year ending June 30, 2022 assumes $157 million in State General Fund reversions and fiscal year ending June 30, 2023 assumes $167 million in State General Fund reversions. The $266.2 million that has been placed in unallotted reserve status pursuant to Sec 753 of ESSB 5092 (Chapter 334, Laws of 2021), is now reflected in DOC and DSHS expenditures, rather than as part of the assumed reversions.

Notes continue on following page.

Notes to Table A-31 (continued)

(6) GF-Related Funds include ELTA, OPA, and WEIA. FSKA was added to the definition of GF-Related Funds beginning July 25, 2021, but it currently has no defined revenue stream or spending authority.

Source: Office of Financial Management.

Table A-32
Summary of Near General Fund–State Revenues and Resources, Expenditures and Fund Balance[1]
($ in millions, for fiscal years ended June 30)

	Audited[1]					Budgeted/ Forecast[2]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Revenues & Resources							
Beginning Fund Balance – GF-State	$ 1,373	$ 1,101	$ 2,016	$ 999	$ 653	$ 3,674	$ 4,538
Beginning Fund Balance – GF-Related Funds	68	48	95	982	721	487	652
Subtotal Beg Fund Balance - Near GF-State	$ 1,441	$ 1,149	$ 2,111	$ 1,981	$ 1,375	$ 4,161	$ 5,190
Revenues – Near GF-State							
Revenues – GF-State	$ 19,739	$ 21,712	$ 22,430	$ 23,817	$ 26,986	$ 29,367	$ 29,552
Revenues – GF-Related Funds	379	568	1,651	1,206	1,345	1,316	1,456[3]
Subtotal Revenues – Near GF-State	$ 20,118	$ 22,280	$ 24,081	$ 25,023	28,331	30,683	31,008
Subtotal Revenues & Resources – Near GF-State	**$ 21,559**	**$ 23,429**	**$ 26,192**	**$ 27,004**	**$ 29,705**	**$ 34,844**	**$ 36,197**
Adjustments & Transfers							
GF-State							
Transfers, Prior Period/Other Adjustments	$ 451	$ (133)	$ 283	$ 41	$ (932)	$ 14	$ (87)
(Transfers to BSA/Rainy Day Account)	(1,123)	(216)	(1,871)	(237)	(270)	(293)	(294)
Transfers from BSA/Rainy Day Account	-	-	1,078	-	1,820	-	-
Transfer to WRPTA[4]	-	-	-	-	-	-	(1,100)
2022 Revenue Legislation (GF-State)	-	-	-	-	-	(1)	(65)
GF-Related Funds							
Transfers, Prior Period/Other Adjustments	-	-	14	-	-	-	-
2022 Revenue Legislation (GF-Related Funds)	-	-	-	-	-	-	(1)
Subtotal Adjustments & Transfers - Near GF-State	**$ (672)**	**$ (349)**	**$ (496)**	**$ (196)**	**$ 618**	**$ (280)**	**$ (1,547)**
Total Revenues & Resources - Near GF-State	**$ 20,887**	**$ 23,080**	**$ 25,696**	**$ 26,808**	**$ 30,324**	**$ 34,564**	**$ 34,650**
Expenditures							
Expenditures from GF-State Total	$ 19,339	$ 20,448	$ 22,937	$ 23,967	$ 24,584	$ 28,223	$ 32,381
Expenditures from GF-Related Funds	399	521	778	1,467	1,579	1,151	2,048
Total Expenditures – Near GF-State	**$ 19,738**	**$ 20,969**	**$ 23,715**	**$ 25,433**	**$ 26,163**	**$ 29,374**	**$ 34,429**
Ending Fund Balance – GF-State	$ 1,101	$ 2,016	$ 999	$ 653	$ 3,674	$ 4,538	$ 163
Ending Fund Balance – GF-Related Funds	$ 48	$ 95	$ 982	$ 721	$ 487	$ 652	$ 58
Total Ending Fund Balance – Near GF-State	**$ 1,149**	**$ 2,111**	**$ 1,981**	**$ 1,375**	**$ 4,161**	**$ 5,190**	**$ 222**

Totals may not add due to rounding.

(1) The State's audited financial statements are prepared on a modified accrual basis.

(2) Expenditures for the fiscal years ending June 30, 2022 and 2023 reflect the enacted 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget. Amounts adjusted by OFM to reflect assumptions regarding actual or assumed reversions or other adjustments. Revenue forecasts reflect the February 2022 Quarterly Forecast, that has been adjusted to reflect 2022 revenue legislation as passed and approved by the Governor. Forecasts are prepared on a cash basis. Budgets are prepared on a GAAP basis.

(3) Includes projected revenues from the capital gains tax enacted in the 2021 Legislative session, which is the subject of a legal challenge. See "SPECIAL INVESTOR CONSIDERATIONS—Litigation—*Tax Litigation*."

(4) See description of Washington Rescue Plan Transition Account (WRPTA) above, under "STATE BUDGETING AND FORECASTING—Budget Requirements and Budget Limitations –*Other Restricted Fund Balance for Pandemic Recovery*."

Source: Office of Financial Management.

Table A-33
Summary of Reserves and Ending Fund Balance
in Near General Fund–State, and Budget Stabilization Account (Rainy Day Fund)
and Pandemic Recovery Funds
($ in millions, for fiscal years ended June 30)

	Audited					Budgeted/ Forecast[1]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Ending Fund Balance –Near GF-State[2]	$ 1,149	$ 2,111	$ 1,981	$ 1,375	$ 4,161	$ 5,190	$ 222
Ending Fund Balance – BSA (Rainy Day Fund)[3]	1,638	1,369	1,618	1,683	19	312	608
Total Ending Fund Balances & Reserves	**$ 2,787**	**$ 3,480**	**$ 3,599**	**$ 3,057**	**$ 4,180**	**$ 5,502**	**$ 830**
Pandemic Recovery Funds[4]							
Washington Rescue Plan Transition Account	--	--	--	--	--	$ 1,000	$ 2,100
Total Reserves & Ending Fund Balance	**$ 2,787**	**$ 3,480**	**$ 3,599**	**$ 3,057**	**$ 4,180**	**$ 6,502**	**$ 2,930**

Totals may not add due to rounding.

(1) Based on February 2021 Quarterly Revenue Forecast and budgeted expenditures. Fiscal years 2022 and 2023 reflect the 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental Omnibus State Operating Budget, as enacted.

(2) See Table A-32.

(3) See Table A-18.

(4) See description of Pandemic Relief Funds and fund balance, above, under "STATE BUDGETING AND FORECASTING—Budget Requirements and Budget Limitations –*Other Restricted Fund Balance for Pandemic Recovery*."

Source: Office of Financial Management.

—Summary Management Discussion and Analysis

The ACFR for the fiscal year ended June 30, 2021, is included in Appendix D to the Official Statement and includes Management's Discussion and Analysis regarding fiscal year 2021 results. The ACFR is typically published in the November following the June 30 close of the fiscal year.

For the fiscal year ended June 30, 2021, governmental activities resulted in an increase in the State's net position of $5.31 billion. Other highlights include:

- Tax revenues increased by $2.80 billion in fiscal year 2021 as compared to fiscal year 2020 reflecting continuing strength in property values and real estate sales. Sales and use tax, which are the main tax revenue for governmental activities, reported an increase of $1.51 billion. Business and occupation tax increased by $666.6 million. Property tax revenue increased by $225.1 million as property values continue to rise. Revenue from real estate excise taxes, levied on the sale of real estate, increased by $684.2 million.
- Expenses grew by $606.9 million for K-12 education in 2021 as compared to fiscal year 2020. This reflects the state's ongoing commitment to meet the needs of K-12 education.

TRANSPORTATION REVENUES AND EXPENDITURES

Overview of State Transportation Funding

The State maintains numerous transportation-related funds and accounts. All transportation budgeting and spending is recorded by project or program. The primary funds from which transportation expenditures are made are the Motor Vehicle Fund, the Multimodal Transportation Fund, and the Transportation Bond Retirement Fund. Major sources of funding for transportation projects include motor vehicle fuel taxes, fees, tolls, ferry fares, proceeds of State bonds, and various federal funding sources.

The majority of transportation programs are administered by WSDOT. WSDOT is responsible for building, maintaining, and operating the State highway system and the State ferry system and working in partnership with others to maintain and improve local roads, railroads, airports, and multi-modal alternatives to driving. WSDOT operates approximately 18,600 State highway lane miles, over 3,300 bridge structures (including the four longest floating bridges in the United States), 47 safety rest areas, 21 ferry vessels, and 20 ferry terminals.

—Limitations on Use of Certain "State Highway Funds"

The State Constitution restricts the expenditure of MVFT revenues and motor vehicle license fees deposited into the Motor Vehicle Fund, and all other State revenues that are "intended for highway purposes" to use solely for "highway purposes." Money subject to this spending restriction is designated as State Highway Funds. Transportation-related tax and fee revenues other than MVFTs and motor vehicle license fees are not State Highway Funds unless they are "levied primarily for highway purposes" and deposited to the Motor Vehicle Fund.

"Highway purposes" include the capital and operating costs of public highways, county roads, bridges, and city streets, the operation of the State ferry system as part of the public highway system, the payment of State debt obligations for which MVFT revenues or motor vehicle license fees have been legally pledged, and other similar purposes. Spending on mass transit (e.g., rail, bus, etc.) and air transportation are not eligible expenditures for State Highway Funds under case law interpreting the restriction.

Major Transportation-Related Revenue Sources

State revenues available for transportation purposes come primarily from State MVFT revenues; non-driver-related license, permit, and fee ("LPF") revenues; ferry fares; and toll revenues. Federal funds also provide significant resources for transportation programs.

Revenues from all major transportation revenue sources particularly MVFT, toll collections, and ferry fare revenue, were impacted negatively during the COVID-19 pandemic. Some have begun to return to pre-pandemic levels despite continuation of the pandemic, though they remain vulnerable to uncertainties. See "—Risks Affecting Certain Transportation Revenues—*COVID-19 Pandemic Response*" below in this section for additional discussion.

—Move Ahead Washington Transportation Package.

During the 2022 Legislative Session, the Legislature passed the Move Ahead Washington Transportation Package. Funding for the 16-year package comes from various sources, including license and other fee increases and a combination of state and federal funding, as well as transfers from other state accounts. More information about the package is available on the Legislative Evaluation & Accountability Program Committee website at leap.leg.wa.gov.

—Motor Vehicle Fuel Taxes (MVFT)

The State's MVFT are excise taxes on motor vehicle and special fuels that are charged per gallon of such fuels imported, produced, or delivered in the State. "Motor vehicle fuel" includes gasoline and other inflammable gases or liquids that are used to propel motor vehicles or boats. "Special fuel" includes all combustible gases and liquids used to propel motor vehicles, such as diesel, biodiesel, natural gas, propane, and butane. Certain exemptions are available, primarily for fuel used in non-highway uses or by governmental or other exempt purchasers. State statutes require the State to distribute net MVFT revenues to certain State accounts to be used for State Highway Purposes monthly. Some MVFT revenues are also distributed to local governments.

Since 2003, the State has undertaken three major multi-year transportation initiatives funded by MVFT increases and other associated license, permit, and fee increases. The current MVFT rate is 49.4¢ per gallon of motor vehicle fuel or special fuel, including:

- *Nickel Package (2003)* – The Nickel Package included a 5¢ increase in the MVFT. A portion of the MVFT revenue increase from this package has been pledged to the repayment of MVFT GO Bonds that remain outstanding. The majority of projects under this package are complete.
- *Transportation Partnership Package (2005)* – The Transportation Partnership Package included a 9.5¢ increase in MVFT phased in with increases effective in 2005 (3¢), 2006 (3¢), 2007 (2¢) and 2008 (1.5¢). A portion of the MVFT revenue increase from this package has been pledged to the repayment of MVFT GO Bonds that remain outstanding. The majority of projects under this package are complete.
- *Connecting Washington Package (2015)* – The Connecting Washington Package included an 11.9¢ increase in MVFT phased in with increases effective in 2015 (7¢) and 2016 (4.9¢). The increased MVFT and motor vehicle license fee revenues included in this package have been pledged to the repayment of MVFT/VRF GO Bonds issued beginning in 2019.

Table A-34 shows historical and forecast MVFT revenue and collections. Forecast information provided in this section is from the February 2022 TRFC Forecast. *Forecast information presented below speaks only as of the date it was prepared and is a "forward-looking statement." Historical information may not be indicative of future expectations in light of the COVID-19 pandemic.*

Table A-34
Historical and Forecast Motor Vehicle Fuel Tax Revenue and Collections(1)
($ in millions; for fiscal years ended June 30)

	Actual					Forecast(2)	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gross MVFT Revenue(3)	$ 1,760.9	$ 1,777.1	$ 1,807.1	$ 1,655.6	$ 1,612.7	$ 1,696.7	$ 1,724.4
Less: Transfers and Refunds	(102.5)	(107.6)	(121.3)	(117.9)	(121.2)	(117.9)	(121.8)
Net MVFT Revenues(4)	**$ 1,658.4**	**$ 1,669.5**	**$1,685.9**	**$1,537.8**	**$ 1,491.5**	**$ 1,578.8**	**$ 1,602.6**
Collections							
State Collections							
Net to Motor Vehicle Acct.	$ 385.7	$ 338.8	$ 383.8	$ 294.0	$ 337.6	$ 346.9	$ 343.9
Net to Nickel Account	166.6	170.4	168.6	159.3	147.9	157.8	161.3
Net to Trans. Partnership Acct.	283.2	289.8	283.1	270.8	251.4	268.3	274.2
Net to Connecting Wa. Acct.	368.5	405.7	396.3	379.1	352.0	375.7	383.8
Other State Uses	70.2	71.6	69.8	66.9	60.6	65.3	68.0
Distribution to Cities and Counties	247.3	253.2	247.6	237.0	220.5	235.1	239.0
Distribution for Local Uses	136.8	140.0	136.8	130.8	121.5	129.6	132.5
Total Collections	**$ 1,658.4**	**$ 1,669.5**	**$ 1,685.9**	**$ 1,537.8**	**$ 1,491.5**	**$ 1,578.8**	**$ 1,602.6**

Totals may not add due to rounding.

(1) Certain amounts shown in this table that are distributed by statute directly to cities and counties are not appropriated in the Transportation Budget and thus are not reflected in the Transportation Budget presented in this Appendix.

(2) Based on the February 2022 TRFC Forecast.

(3) Includes revenues from motor vehicle fuels (gasoline) and special fuels taxes.

(4) Net of transfers and refunds for fuel used for non-highway purposes such as marine, snowmobile, and other non-highway uses.

Source: Transportation Revenue Forecast Council.

— Vehicle-Related Fees (VRFs) and Licenses, Permits, and Fees (LPFs)

Revenues from Vehicle-Related Fees ("VRFs") that are pledged to the State's MVFT/VRF GO Bonds are a subset of revenues referred to in budgeting and forecasting documents as License, Permit and Fee ("LPF") revenues. The category of LPFs includes revenues from non-driver related licenses, permits, and fees.

LPF Revenues. The primary LPF revenue generators are vehicle registration-based fees, including the $30 vehicle license fee and the combined license fee paid by trucks (also called the gross vehicle weight fee). LPF revenues collectively make up the second largest source of revenue for transportation. In the February 2022 TRFC Forecast, LPF revenue was predicted to be approximately $1.74 billion for the 2021-23 Biennium, which is a decrease of $33.2 million from the November 2021 forecast. Most of the decrease in revenue in the February forecast is due to lower revenues for certain types of registrations.

VRF Revenues. Certain (but not all) LPFs imposed under Title 46 RCW constitute VRFs. The subset of VRFs was created in the 2015 Bond Act (Laws of 2015, 3rd Sp. Session, Chapter 45), which authorized the issuance of bonds to finance the Connecting Washington program. In addition to pledging MVFT revenues and the State's full faith and credit, the 2015 Bond Act pledged revenues from "vehicle-related fees imposed under Title 46 RCW that constitute license fees for motor vehicles required to be used for highway purposes." The Legislature subsequently authorized the pledge of VRFs for repayment of future Other Triple Pledge Bonds, which may be issued in the future. Pursuant to Senate Bill 5898 (signed into law on March 17, 2022 and effective June 9, 2022) future GO-Backed Transportation-Related Bonds that remain unissued under previous authorizations are expected to be issued as MVFT/VRF GO Bonds, including any bonds issued to refund outstanding MVFT GO Bonds. The State began issuing MVFT/VRF GO Bonds in 2019 and has not issued Other Triple Pledge Bonds. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Transportation-Related Bonds—*GO-Backed Bonds*."

To implement the 2015 Bond Act, an interagency work group convened in 2016 by OST reviewed the various State fees imposed under Title 46 to determine which could be pledged as VRFs, using the following criteria:

- *VRFs must be "license fees."* For this purpose, a license fee is defined as a fee collected for the right to use a vehicle on public highways, including vehicle registration fees such as license fees by vehicle type, license fees by weight, license plate fees for motor vehicles, electric vehicle registration and renewal fees, capacity fees, tonnage fees, trip and special permit fees, and other fees imposed as a condition of registration and operation of a vehicle on public highways. License fees do not include administrative processing fees, inspection fees, vehicle operator's license fees, excise taxes imposed in lieu of property taxes, or fees for certificates of ownership of motor vehicles.

- *VRFs must be collected in respect of* "*motor vehicles.*" The definition excludes non-motorized vehicles and trailers (including commercial trailers).

- *VRFs must be "required to be used for highway purposes.*" This requirement means the Legislature must direct the funds to be deposited in the Motor Vehicle Fund and used for "highway purposes" within the meaning of Article II, Section 40 of the State Constitution. See "—Overview of State Transportation Funding—*Limitations on Use of Certain State Highway Funds*" above.

The State fees that are designated as VRFs are summarized in Table A-35.

Table A-35
Summary of Currently Authorized VRFs

Vehicle-Related Fees	Authorizing Statute(s)
Basic License Fee(1)	46.16A.305(1); 46.17.350(1); 46.17.400(1)(a), (b)(1), and (d)
Original License Plate Fee	46.17.200(1)(a)
Reflectivity License Plate Fee	46.17.200(1)(a)
Replacement License Fee	46.17.200(1)(a)
License Plate Transfer Fee	46.17.200(1)(c)
Electric Vehicle ("EV") Registration Renewal Fee and EV/Plug-in Renewal Fee(1)	46.17.323(1) and (4)(1)
Combined License Fees (Trucks) and farm trip permits	46.16A.330; 46.16A.420; 46.17.325; 46.17.330; 46.17.355(1)(b) and (7)
Freight Project Fee: Vehicles with gross weight > 10,000 pounds	46.17.355(6)
Capacity Fees	46.17.335(2); 46.17.340
Monthly Gross Weight Fee (Tonnage Fee)	46.17.360
Trip Permit Fee(1)	46.16A.320(1); 46.17.400(1)(b), (c), (f), and (h)(1); and 82.38.100
Temporary Permit Fee	46.16A.300
On-Road ATVs: Vehicle License Fee	46.17.350(1)(r)
Special Permit Fees	46.44.047; 46.44.0941; and 46.44.095

(1) A portion of these fees are VRFs. Such fees qualify as VRFs to the extent they are applied to "motor vehicles;" excludes revenues from these fees as applied to non-motorized vehicles such as trailers (including camper trailers and commercial trailers).

Source: Transportation Revenue Forecast Council, Volume IV of the November 2021 TRFC Forecast.

Table A-36 shows historical and forecast VRF revenue and distributions. Forecast information provided in this section for the fiscal years ending June 30, 2022 and 2023 is from the November 2021 TRFC Forecast published on November 19, 2021. The November 2021 TRFC Forecast includes forecasts through the fiscal year ending June 30, 2031. This information is updated in the June and November forecasts and the next update is expected in June 2022. *Forecast information presented below speaks only as of the date it was prepared and is a "forward-looking statement." Historical information may not be indicative of future expectations in light of the COVID-19 pandemic.*

Table A-36
Historical and Forecast Vehicle-Related Fee Revenue and Distributions
($ in millions; for fiscal years ended June 30)

	Actual (Unaudited)[1]					Forecast[2]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Pledged VRF Revenues							
Registration Fees	$ 397.7	$ 420.7	$ 421.6	$ 378.4	$ 495.2	$ 446.7	$ 483.6
License Plate Fees	34.2	35.3	34.3	31.9	36.1	33.6	35.1
Other Vehicle License Fees[3]	22.5	24.1	25.7	28.1	29.7	33.9	31.1
Total Pledged VRF Revenues[3]	**$ 454.4**	**$ 480.0**	**$ 481.5**	**$ 438.3**	**$ 560.9**	**$ 514.2**	**$ 549.8**
Pledged VRF - Distributions							
To Motor Vehicle Fund	$ 226.1	$ 239.5	$ 242.4	$ 218.4	$ 288.8	$ 261.1	$ 279.9
To State Patrol	179.7	188.7	186.6	174.6	207.4	197.1	208.3
To State Ferries	8.7	9.2	9.1	8.5	10.3	9.6	10.3
To Nickel Acct	12.4	13.3	13.5	11.5	16.9	14.4	16.0
To Transp Partnership Acct	27.3	29.2	29.8	25.2	37.3	31.7	35.2
To Multiuse Roadway Safety Acct	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Total Collections	**$ 454.4**	**$ 480.0**	**$ 481.5**	**$ 438.3**	**$ 560.9**	**$ 514.2**	**$ 549.8**

Totals may not add due to rounding.

(1) Certain amounts shown in this table that are distributed by statute directly and are not appropriated in the Transportation Budget and thus are not reflected in the Transportation Budget presented in this Appendix.

(2) Based on the November 2021 TRFC Forecast. This information is updated in the June and November forecasts and the next update is expected in June 2022.

(3) Excludes revenues from fees collected with respect to non-motorized vehicles (e.g., trailer and camper-trailer fees) and revenues deposited to the Multimodal Transportation Fund.

Source: Transportation Revenue Forecast Council; Volume IV of November 2021 Forecast.

—Driver-Related Revenue

Driver-related revenue includes driver's license fees (including commercial driver licenses, enhanced driver licenses, and temporary restricted licenses), ID card fees, driver exam application fees, copies of records, motorcycle operator fees, ignition interlock fees, and other miscellaneous fees. In the February 2022 TRFC Forecast, all driver-related revenue is forecast to be approximately $317.8 million for the 2021-23 Biennium.

—Ferry Fares

Ferry fares are used exclusively to support WSF operations and maintenance costs. Ferry fares and other miscellaneous ferry revenues are deposited to the Puget Sound Ferry Operations Account, together with distributions and transfers into this account from MVFT revenues, LPF revenues, and other transportation accounts.

Fares are collected from vehicles and passengers (including walk-on passengers) using the WSF system. The fares vary significantly for different routes and seasons. Fares are set by the Washington State Transportation Commission ("WSTC"), typically effective on a biennial basis, beginning October 1 through the second following September 30. However, fares may be revised at any time if total revenue from fares and other revenue deposited in the Puget Sound Ferry Operations Account are less than the amount set by the Legislature. Ferry fares typically increase by about 2.5% per year. Most recently, the WSTC adopted a 2.5% increase that went into effect for to all passenger and vehicle fares on October 1, 2021 and a second similar increase effective October 1, 2022.

Ferry fares have been significantly impacted by reduced commuter traffic and tourist travel during the COVID-19 pandemic. Information about WSF operations and the impact of the COVID-19 pandemic is provided under "—Major Transportation-Related Expenditures—*Washington State Ferries Operations and Capital Programs*."

—Toll Revenues

By statute, the State Legislature has exclusive authority to designate portions of the State highway system as "eligible toll facilities." Tolls on Federal-aid highways must be approved under one of four federal tolling programs.

Generally, State statutes require that toll revenues be used only to "construct, improve, preserve, maintain, manage, or operate the eligible toll facility on or in which the revenue is collected." Toll revenues are used for costs that contribute directly to the financing, operation, maintenance, management, and necessary repairs of the tolled facility. Eligible costs also include administrative and enforcement costs of toll collection. Existing toll revenues are not designated State Highway Funds. See "—Overview of State Transportation Funding—*Limitations on Use of Certain State Highway Funds*."

Tolled Facilities. The State currently collects tolls on four facilities: the Tacoma Narrows Bridge ("TNB"), the SR-520 Floating Bridge, the Interstate 405 ("I-405") and State Route 167 ("SR-167") express toll lanes (the "I-405/SR-167 Toll Facility"), and the SR-99 Tunnel. Legislation enacted in 2019 authorized funding for the expansion of the I-405/SR-167 Toll Facility and additionally designated the Puget Sound Gateway facility (consisting of portions of SR-167 and State Route 509 ("SR-509")) as an eligible toll facility. The Legislature from time to time may consider authorizing tolls for other discrete projects or extending tolling of express and high-occupancy vehicle lanes.

The eligible toll facilities and toll rates are summarized in Table A-37.

Table A-37
Description of Eligible Toll Facilities and Toll Rates

Toll Facility	Tolled Since	Current Toll(1)(2) *(in effect)*	Adopted Toll Rate Changes: New Rate	Adopted Toll Rate Changes: Effective Date
Bridges and Tunnels				
Tacoma Narrows Bridge	2007	$5.25(3)	--	--
SR-520 Floating Bridge	2011	$1.25 to $4.30(4)	$1.25 to $4.50(5)	July 1, 2023
SR-99 Tunnel(6)	2019	$1.15 to $2.60	$1.20 to $2.70(7)	July 1, 2022
Managed Lanes				
SR-167 Toll Lanes(8)	2008	$0.50 to $9.00	--	--
I-405 Toll Lanes(9)	2015	$0.75 to $10.00	--	--
Puget Sound Gateway(10)	--	--	--	--

(1) Tolls are collected in both directions on all facilities with the exception of the Tacoma Narrows Bridge, where tolls are collected in the eastbound direction only.
(2) Rate changes, when implemented, typically occur on July 1. Table displays the base rates paid by 2-axle vehicles using an electronic transponder. Customers with an established toll account but no transponder pay an additional $0.25 per transaction. Pay-by-mail customers pay an additional $2.00 per transaction. Customers with a short-term account are given a discount of $0.50 from the pay-by-mail rate. Vehicles with more than two axles pay additional toll amounts that vary by facility.
(3) Retains a toll booth option that accepts cash or credit; $1 surcharge for toll booth transactions.
(4) All rates vary by time of day. Weekday rates shown in table. Weekend and nighttime rates range from $1.25 (off-peak) to $2.65 (peak).
(5) All rates vary by time of day. New weekday rates shown in table. The new weekend and nighttime rates will range from $1.25 (off-peak) to $3.05 (peak).
(6) Rates vary by time of day.
(7) Effective July 1, 2022, and every three years thereafter, subject to review and potential adjustment by WSTC, toll rates are subject to automatic 3% increases, rounded to the nearest five cent interval.
(8) Rates vary based on real-time traffic congestion and are collected on single-occupant vehicles only travelling between 5:00 am and 7:00 pm daily.
(9) Express Toll Lanes (ETL). Varies based on real-time traffic congestion. Tolls collected on vehicles travelling between 5:00 am and 7:00 pm Monday through Friday. High-occupancy vehicles travel free if carrying minimum number of passengers, which varies by time of day.
(10) The Gateway Facility was designated as an eligible toll facility in 2019 and is yet to be tolled.

Source: Washington State Department of Transportation and Washington State Transportation Commission.

Toll Collections. Washington uses an electronic photo tolling system. Only the Tacoma Narrows Bridge continues to offer tollbooths as a payment option. An electronic pass is mounted on the vehicle and read at highway speeds and tolls are deducted from a pre-paid toll account. Owners of vehicles not linked to a pre-paid account are billed by mail for the toll plus a $2 surcharge. Reprocessing fees, civil penalties and fines are applied to unpaid bills and can result in withholding of the annual vehicle registration.

Toll Rate Setting. The WSTC is the State tolling authority and is responsible for setting toll rates and policies and reviewing toll operations. The WSTC reviews traffic and revenue for each facility to determine whether new toll rates are needed to cover required costs, including operational costs and debt payments. The review of toll rates is ongoing throughout the year. Typically, preparation for the annual review begins in the fall and any resulting changes go into effect the following July 1.

In August 2021 the WSTC adopted changes to toll rates on the Tacoma Narrows Bridge, the SR-99 Tunnel and the SR-520 Bridge. Tolls on the Tacoma Narrows Bridge increased by $0.25 on October 1, 2021. Tolls on the SR-99 Tunnel increased by 15% across the board on October 1, 2021 and will increase an additional 3% on July 1, 2022. WSTC also adopted increases for the SR-520 Bridge that will go into effect as of July 1, 2023.

WSTC annually submits a report to the Legislature describing any approved increase or decrease each January. The 2022 Tolling Report was presented to the Legislature in January 2022.

Table A-38 and Table A-39 show historical toll transactions (in millions) and adjusted gross toll revenues (in millions).

Table A-38
Historical Number of Toll Transactions(1)
(in millions; for fiscal years ending June 30)

Toll Facility	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Forecast FY 2022
Bridges and Tunnels						
Tacoma Narrows Bridge	15.0	15.3	15.5	14.2	14.4	15.5
SR-520 Floating Bridge	24.0	25.8	26.5	20.9	14.6	19.7
SR-99 Tunnel(2)	--	--	--	7.4	9.4	12.7
Managed Lanes						
SR-167 Toll Lanes	1.5	1.6	1.7	1.5	1.5	1.8
I-405 Toll Lanes	9.6	10.1	9.7	7.7	5.8	7.7

(1) February 2022 TRFC Forecast, dated February 16, 2022.
(2) Tolling commenced on the SR-99 Tunnel on November 9, 2019; fiscal year 2020 toll transactions reflect a partial year of collections.

Source: Washington State Department of Transportation and Transportation Revenue Forecast Council.

Table A-39
Historical Adjusted Gross Toll Revenue(1)
($ in millions; for fiscal years ended June 30)

Toll Facility	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Forecast FY 2022
Bridges and Tunnels						
Tacoma Narrows Bridge	$ 79.5	$ 81.7	$ 82.3	$ 75.5	$ 76.2	$ 83.7
SR-520 Floating Bridge	75.0	83.2	85.7	66.6	46.6	61.0
SR-99 Tunnel(2)	--	--	--	11.9	15.1	22.3
Managed Lanes						
SR-167 Toll Lanes	2.7	3.3	3.7	3.5	2.7	4.0
I-405 Toll Lanes	20.9	24.1	29.3	21.3	8.2	13.5

(1) February 2022 TRFC Forecast, dated February 16, 2022.
(2) Tolling commenced on the SR-99 Tunnel on November 9, 2019; fiscal year 2020 toll revenue data reflects a partial year of collections.

Source: Washington State Department of Transportation and Transportation Revenue Forecast Council.

Effect of COVID-19 Pandemic on Toll Transactions and Collections. Toll revenues were heavily impacted in 2020 and 2021 by reduced traffic on toll facilities due to the COVID-19 pandemic. Other than the SR-520 Bridge toll revenues, the State has not directly pledged toll revenues from other toll facilities to support obligations issued by the State, though there is an expectation that toll revenues will reimburse debt service costs related to toll facilities. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Payment of Debt and Other Financial Obligations—Reimbursements."

Tolls from the SR-520 Bridge are pledged under the SR-520 Master Bond Resolution to support the outstanding SR-520 Triple Pledge Bonds and TIFIA Bond. To ensure that the SR-520 Bridge would meet coverage requirements under the SR-520 Master Bond Resolution, the enacted 2021 Supplemental Transportation Budget appropriated $18.2 million of other State funds for operations and maintenance costs for the fiscal year ending June 30, 2021 that would otherwise have been required to be paid from toll revenues ahead of debt service. The enacted 2021-23 Transportation Budget included an additional $59.6 million of federal ARPA funds for operating and maintenance expenditures for the facility. In addition, toll rate increases on the SR-520 Bridge have been adopted by the WSTC, effective July 1, 2023, which are also intended to ensure the coverage requirement is met, as required by the SR-520 Master Bond Resolution.

—Federal Transportation Funds

WSDOT receives substantial federal funds, primarily from the Federal-Aid Highway Program, which encompasses most of the federal programs providing highway funds to the states. The Federal-Aid Highway Program is a reimbursement program financed from transportation user-related revenues, primarily excise taxes on motor vehicle fuel, deposited in the Highway Trust Fund. Once a project has been approved, the federal government pays a portion of the costs (typically 86.5% for the State) of the project as costs are incurred. States also may apply to be reimbursed for debt service on obligations issued to finance an approved project.

The SR-520 Corridor Program has been approved for debt service reimbursement. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Non-GO Backed Transportation-Related Obligations" for a description of the State's outstanding GARVEE Bonds payable from these reimbursements. The program and the imposition of the taxes dedicated to the Federal Highway Trust Fund must be periodically reauthorized by Congress. In December 2015, the Fixing America's Surface Transportation Act ("FAST Act") extended highway-user taxes through September 30, 2022, with no change to the tax rates. The FAST Act transfers $51.9 billion into the Highway Account and $18.1 billion into the Mass Transit Account to fund the full five years of program authorizations.

On November 15, 2021 President Biden signed the Infrastructure Investment and Jobs Act ("IIJA") (also commonly known as the Bipartisan Infrastructure Bill). This $1.2 trillion bill provides authorization for a five-year surface transportation package and replaces the FAST Act, which expired on September 30, 2020. Extensions of the FAST Act provided authorization for surface transportation funding until a full appropriations bill, the Consolidated Appropriations Act of 2022, was signed into law on March 15. The IIJA reauthorizes funding through September 30, 2026 and extends many of the FAST Act provisions that would have expired. Included is approximately $550 billion in new infrastructure investment including public transit and passenger rail as well as new programs such as clean energy and electric vehicle infrastructure. Of that amount, $350.8 billion is for highway programs. This bill continues several grant programs such as INFRA and RAISE and creates new grant opportunities such as Bridge Investment and Wildlife Crossings. For a discussion of risks related to federal funding generally, see "SPECIAL INVESTOR CONSIDERATIONS—Risks to Federal Funding."

The State has received transportation funding under the federal COVID-19 stimulus programs. The enacted 2021-23 Transportation Budget appropriated $1 billion in federal ARPA funds, with $600 million of the ARPA funds to be distributed by OFM and the remainder planned for use on fish culverts. See "—Major Transportation-Related Expenditures—*Significant Transportation Capital Plan Projects—Overview of Major WSDOT Capital Plan Projects— Effect of Fish Passage Barrier Court Orders on Capital Plan Projects."*

Transportation Revenue Forecasts

— Quarterly Transportation Revenue Forecast

The most recent Transportation Revenue Forecast was approved by the TRFC on February 16, 2022. The total transportation revenue projected was $6.59 billion for the 2021-23 Biennium. This estimate is $87 million (1.3%) below the November 2021 forecast, primarily due to lower than anticipated collections in LPF revenues, as well as lower ferry and toll revenue. Transportation revenues particularly impacted by the pandemic include MVFT, car rental excise taxes, toll revenues, and ferry fare revenues. The TRFC expects to release its next forecast on June 22, 2022.

—SR-520 Toll Revenue Reporting and Forecasting

The State obtains or prepares various periodically updated reports and forecasts regarding toll revenues for the SR-520 toll facility. The WSDOT Accounting and Financial Services Division prepares an Annual Financial Report for the State System of Eligible Toll Facilities, including the SR-520 toll facility, that is audited by an independent auditor. The most recent audited report covers the fiscal year ended June 30, 2021 and is available on the WSDOT website (https://wsdot.wa.gov/about/accountability/tolling-reports-policy).

The February 2022 TRFC Forecast includes SR-520 Toll Revenue forecast data from the most recent annual updates of the SR-520 Traffic and Revenue Study and the SR-520 Net Revenue Report. The most recently released annual SR-520 Traffic and Revenue Study Update–2021 Report, prepared by Stantec, is dated August 13, 2021, and the most recent annual SR-520 Net Revenue Report–2021 Update, prepared by WSP USA in collaboration with WSDOT, is dated September 21, 2021. The State expects the next SR-520 Traffic and Revenue Study Update to be released by summer 2022.

OST also periodically prepares a debt structuring analysis for all debt payable from SR-520 Toll Revenues (each, a "Structuring Analysis"). This is typically prepared annually. However, given the impacts of COVID-19, this analysis is currently being monitored more frequently by OST to reflect the quarterly TRFC forecasts and actual unaudited toll revenue receipt data.

Risks Affecting Certain Transportation Revenues

—COVID-19 Pandemic

The COVID-19 pandemic initially reduced traffic on state highways and toll facilities and on the State ferry system, reducing revenues from tolls, ferry fares, MVFT, and other transportation revenues. The State cannot predict the duration of these impacts but is currently forecasting that some revenue streams will recover faster than others. WSDOT has made real-time, unaudited data regarding state highway system traffic, toll facilities, ferry ridership, and other related data available on its COVID-19 Multimodal Transportation System Performance Dashboard website (wsdot.wa.gov/about/covid-19-transportation-report/). See also "SPECIAL INVESTOR CONSIDERATIONS—Global Health Emergency Risk and the COVID-19 Pandemic."

—General Demand and Market Risks

Motor Vehicle Fuel Demand Sensitivity. Because the MVFT is levied on a volume (per gallon) basis rather than on dollar value, changes in consumption patterns can affect receipts regardless of the price of the fuel. For example, if price increases reduce demand for fuel, tax receipts will fall even if the total value of the fuel sold goes up. The opposite may also occur. MVFT is also sensitive to changes in fuel consumption driven by changes in fuel efficiency. The State is investigating alternative revenue measures to address the sensitivities to increases in fuel efficiency. The State currently collects a $150 fee per electric vehicle ("EV Fee") and a vehicle transportation electrification fee ("Electrification Fee") of $75 per electric and hybrid vehicles. The EV Fee sunsets if and when legislation is adopted that imposes a tax or fee per vehicle miles traveled.

New Technologies and Preference Shifts. Drivers' license fees, vehicle license fees, and certain other transportation-related revenues could be sensitive to shifts in demographic preferences, including number of persons obtaining drivers licenses and owning vehicles, particularly in light of the increase of ride-share and car-share services and in anticipation of the viability of autonomous vehicles. The Washington State Transportation Commission transmitted its final report on its Road Usage Charge ("RUC") Pilot Project in January 2020, which studied potential implementation of such a charge via four primary methods (odometer reading, smartphone app, plug-in GPS device, or plug-in device without GPS). The report made recommendations to the Governor, State Legislature, and the Federal Highway Administration on how the State could transition away from the MVFT and toward a RUC system. The WSTC is has been tasked with convening an Autonomous Vehicle Workgroup which will submit recommendations to the Legislature in 2023.

Major Transportation-Related Expenditures

Table A-40 provides a summary of the WSDOT appropriations reflected in the 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Transportation Budget, as enacted, based on expenditure authority.

Table A-40
Summary of WSDOT Transportation Budget Appropriations
($ in thousands)

	2021-23 Biennium(1)					
Department of Transportation (WSDOT)	**Operating**		**Capital**		**Total Budgeted**	
Washington State Ferries (WSF)	$ 587,298	25.7%	$ 515,514	8.6%	$ 1,102,812	13.1%
Toll Maintenance and Operations	140,074	6.1	-	-	140,074	1.7
Highway Maintenance	576,454	25.3	-	-	576,454	6.8
Facilities and Traffic Operations	116,239	5.1	43,226	0.7	159,555	1.9
Aviation and Public Transportation	353,898	15.5	5,000	0.1	358,898	4.3
Highway Construction	-	-	4,828,058	78.7	4,828,058	57.4
Rail	66,976	2.9	194,036	3.2	261,012	3.1
Local Programs	16,168	0.7	549,207	9.0	565,375	6.7
Other Operating Programs(2)	424,788	18.6	-	-	424,788	5.0
WSDOT Total	**$ 2,281,985**	**100.0%**	**$ 6,135,041**	**100.0%**	**$ 8,417,026**	**100.0%**

Totals may not add due to rounding.

(1) WSDOT appropriations based on the amounts appropriated in the 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Transportation Budget, as enacted. Also includes WSDOT appropriations in the Move Ahead Washington Transportation Package. Includes $5.0 million in capital appropriations to WSDOT's Aviation Program provided in the 2021-23 State Capital Budget. Excludes non-appropriated amounts shown in Table A-19.

(2) Includes various WSDOT operating programs representing less than 5% each of WSDOT's total budget.

Source: Legislative Evaluation and Accountability Program Committee and the Washington State Department of Transportation.

—*Significant Transportation Capital Plan Projects*

Overview of Major WSDOT Capital Plan Projects. Major WSDOT capital plan projects in the 2021-23 Transportation Budget, as enacted, are described below, based upon the Legislative Budget Notes, available at fiscal.wa.gov. These do not reflect any modifications resulting from the 2022 legislative session.

- *Fish Passage Barrier Correction and Highway Preservation* – The enacted Transportation Budget fully funds the fish passage barrier corrections as proposed by WSDOT, at $726 million, relating to the compliance with the federal injunction (described below), for the 2021-23 period.
- *Continuation of Connecting Washington Commitments*. Construction activity under the Connecting Washington program is expected to peak in the 2021-23 Fiscal Biennium. Total spending on capital highway improvement and preservation projects from the CWA is expected to exceed $2.84 billion, including major projects on SR-520 Corridor Program (described below), I-405, and early work on the Puget Sound Gateway toll facility, among others.
- *Other Continuing Highway Capital Activity*. While much of the work required by the Legislature under the Nickel and TPA programs has been completed, work continues on a few projects, including the completion of surface street connections in the Alaskan Way Viaduct replacement project (described below) and continued efforts related to replacing the I-5 bridge across the Columbia River.
- *Washington State Ferries (WSF) - Capital*. The enacted Transportation Budget provides $505 million in expenditure authority for the WSF Capital program within DOT.
- *Rail*. The conference budget provides $6.8 million in Freight Rail Assistance Project ("FRAP") grants for eight short line rail projects related to critical infrastructure and improvements and maintenance of existing infrastructure and $223,000 for contingency funding for FRAP projects that experience unforeseeable cost increases.
- *Federal COVID-19 Recovery and Relief Bills* – Recently passed federal legislation provided new resources to the transportation budget to help offset some of the impacts of the COVID-19 pandemic.

- $1.0 billion of federal ARPA funds, of which $600 million is appropriated to partially backfill revenue losses from the pandemic and $400 million for water infrastructure investments to remove fish barriers (described below).
- $142.9 million in CRRSA funds are used to help fund the removal of fish barriers in order to make progress on complying with the court injunction by 2030. An additional $124 million in CRRSA funds are deposited into the Puget Sound Ferry Operations account to offset a shortfall of ferry fare revenue, eliminating the need to transfer funds from other state accounts to support this account.

Effect of Fish Passage Barrier Court Orders on Capital Plan Projects. WSDOT's Highway Improvement and Preservation Program is greatly impacted by a federal court injunction that requires WSDOT to repair or replace many fish barrier culverts. There are approximately 1,000 culverts under state highways that are subject to this injunction. In addition to the barriers already corrected, WSDOT must correct approximately 400 remaining injunction barrier culverts by the year 2030. WSDOT estimates that it will cost $3.7 billion to fully meet the requirement of the injunction. The Legislature has appropriated the funding to meet the injunction's requirements for the 2021-23 Biennium. The Move Ahead Washington Transportation Package included Legislative intent and funding to fully comply with the injunction through 2030. See "—Major Transportation-Related Expenditures—*Move Ahead Washington Transportation Package*" for more information.

SR-520 Corridor Program. The SR-520 Floating Bridge provides a major east-west link across Lake Washington, connecting Seattle to suburban employment hubs in Bellevue and Redmond. The SR-520 Corridor Program includes two major projects: (1) the SR-520 Floating Bridge and the Eastside plus West Approach Bridge Project and (2) the Westside Project.

- *The SR-520 Floating Bridge and the Eastside plus West Approach Bridge Project* (which is substantially complete) included construction of a pontoon facility and pontoons for a new floating bridge, completion and reconfiguration of the HOV lane system on SR-520 to the east of Lake Washington, and construction of a replacement floating bridge (including construction of the permanent north half of the West Approach Bridge). The Legislature authorized tolling on the SR-520 Corridor in 2009 for this project, and its total cost is projected to be $2.84 billion.
- *The Westside Project* was funded in 2015 as part of the Connecting Washington Package and additional funding was provided by the Move Ahead Washington Transportation Package. Approximately $2.05 billion was provided for the Westside Project, which will ultimately provide a new six-lane corridor from I-5 to the floating bridge, a new Portage Bay bridge, a complete West Approach Bridge, a reversible transit/HOV ramp to I-5, two neighborhood connecting lids, and other corridor improvements. The Westside Project is currently planned as four construction contracts, and construction began on the first contract in August 2019. The remaining work will be phased over the next 10 or more years.

The State has been collecting tolls on the SR-520 Floating Bridge since December 2011. Increases in the MVFT and certain VRFs in the Transportation Partnership Package and the Connecting Washington Package are also used to pay for this program. A portion of the costs have been financed with MVFT GO Bonds, MVFT/VRF GO Bonds, SR-520 Triple Pledge Bonds, the TIFIA Bond, and GARVEE Bonds. See "STATE DEBT AND OTHER FINANCIAL OBLIGATIONS—Transportation-Related Bonds."

SR-99 Tunnel and the Alaskan Way Viaduct Replacement Program. The AWVR Program consists of multiple projects to remove and replace the State Route 99 Alaskan Way Viaduct, including construction of the SR-99 Tunnel, and related surface street improvements. Demolition of the Alaskan Way Viaduct and construction of the new SR-99 Tunnel is complete and the SR-99 Tunnel opened in February 2019. Tolling on the SR-99 Tunnel commenced in November 2019. The remaining portions of the State's AWVR Program were budgeted to cost approximately $3.3 billion, with $3.27 billion spent through February 2022. SR-99 Tunnel construction was delayed for approximately two years due to the tunnel boring machine stoppage and repairs. Responsibility for additional costs associated with this delay is currently the subject of litigation. See "SPECIAL INVESTOR CONSIDERATIONS—Litigation."

—Washington State Ferries Operations and Capital Programs

The State ferry system is operated by WSF, a division of WSDOT. It is the largest ferry system in the United States and is part of the State highway system. It includes 10 routes and 20 terminals. The WSF fleet includes 21 vessels, the largest class of which can carry up to 2,499 passengers and 202 vehicles. WSF submitted its 2040 Long Range Plan to the Legislature in January 2019.

In 2019, WSF carried an estimated 23.9 million riders (including daily walk-on commuters, recreational users and tourists, and commercial traffic) and an estimated 10.6 million vehicles. Due to the COVID-19 pandemic, these numbers dropped significantly in 2020, to 14.0 million riders and 7.6 million vehicles.

To respond to reductions in ferry traffic and fare revenue caused by the COVID-19 pandemic, WSF initially made reductions in service to better align with reduced vehicle and passenger ridership demand. By August 2021, traffic and ridership demand had recovered to levels approaching pre-pandemic levels on several routes. However, most routes were temporarily switched to alternate route schedules in mid-October 2021 to reduce last-minute sailing cancellations caused by crewing challenges. In March 2022, WSF released a COVID-19 Service Restoration Plan, which outlines steps to restore service to pre-pandemic levels on a route-by-route basis. The goals of this plan are to maintain reliability of service, ensure that service restoration can be maintained, prioritize routes based on ridership needs, and facilitate transparency and customer communications.

Ferry System Electrification Project. WSF burns an estimated 18 million gallons of diesel fuel a year, making the system the State's largest single consumer of diesel fuel. Within the state transportation system, ferries generate the most carbon and other greenhouse gas emissions. WSF is working on several projects to meet the goals of Governor's Executive Order 20-01, which directs WSF to move toward a zero emissions fleet.

The Legislature began authorizing bond financing for electrification of ferries in the 2019-2021 Biennium. Construction of the first hybrid-electric 144-car Olympic Class ferry is scheduled to begin in 2022 and the vessel is expected to enter service in 2025. These ferries are expected to reduce nitric oxide emissions and CO2 emissions, reduce operating costs, reduce or eliminate engine noise and vibration, and reduce maintenance costs.

WSF is also converting the three Jumbo Mark II class ferries, the largest in the fleet, from diesel to hybrid-electric propulsion. Planning and design has been funded in part by money received through the trustee administering the nationwide Volkswagen Clean Air Act settlement related to "clean diesel" vehicle emissions. The first Jumbo Mark II conversion is expected to begin in late 2022.

WSF is additionally developing a system-wide electrification plan that expands on the 2040 Long Range Plan to evaluate alternatives and propose an efficient strategy for using hybrid electric vessels throughout the system. The electrification plan was delivered to the legislature in January 2021.

Statements of Revenues and Expenditures

Table A-41 and Table A-42 present historical and forecast Revenues and Resources and Expenditures and Ending Fund Balance for the WSDOT portion of the Transportation Funds.

Forecast information provided here is taken from the February 2022 TRFC Forecast. See "STATE BUDGETING AND FORECASTING—Economic and Revenue Forecasting." *Forecast information presented below speaks only as of the date it was prepared and is a "forward-looking statement." Historical information may not be indicative of future expectations in light of the COVID-19 pandemic.*

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Table A-41
Summary of WSDOT Portion of Transportation Revenues and Resources
($ in millions, for fiscal years ended June 30)

	Actual[1]					Forecast[2]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Beginning Fund Balance	**$ 918**	**$ 1,101**	**$ 1,200**	**$ 1,107**	**$ 746**	**$ 1,202**	**$ 832**
Gross MVFT Collections[3]	1,761	1,777	1,807	1,656	1,613	1,697	1,724
(Less) Refunds for Non-Highway Use	(103)	(108)	(121)	(118)	(121)	(118)	(122)
Adjusted Gross MVFT Collections	**1,658**	**1,670**	**1,686**	**1,538**	**1,492**	**1,579**	**1,603**
WSDOT Portion of LPFs[4]	523	517	531	407	716	571	671
Ferry Fares	187	193	195	167	156	190	213
Tolls and Toll-Related Revenues[5]							
Tacoma Narrows Bridge[6]	82	85	85	79	81	84	89
SR-520 Corridor[7]	84	92	96	79	52	62	82
I-405 & SR-167 Corridor Managed Lanes	26	31	37	31	13	18	30
SR-99 Tunnel[8]	-	-	-	14	19	22	29
Other Revenues and Adjustments[9]	160	118	169	123	99	1,156	1,114
Total State Sources (WSDOT)[10]	**$ 2,720**	**$ 2,706**	**$ 2,800**	**$ 2,438**	**$ 2,628**	**$ 3,683**	**$ 3,831**
Other Funding (WSDOT)[11]							
MVFT GO Bond Proceeds	$ 195	$ 263	$ 307	$ 75	$ 234	$ 111	$ 111
MVFT/VRF GO Bond Proceeds	-	-	-	430	655	163	163
SR-520 Triple Pledge Bond Proceeds	111	-	-	-	-	-	-
TIFIA Bond Proceeds	-	-	-	-	-	-	-
Federal Aid Highway Funds[12]	100	100	100	100	100	100	100
Federal ARPA Funds[13]	-	-	-	-	-	500	500
Other Federal Funds	626	513	524	517	524	581	581
Local Funds	94	23	30	30	81	34	34
Climate Commitment Act (2022)	-	-	-	-	-	25	25
Total Other Funding (WSDOT)	**$ 1,126**	**$ 899**	**$ 962**	**$ 1,152**	**$ 1,557**	**$ 1,514**	**$ 1,513**
Total Transportation Funds–All WSDOT Sources	**$ 4,764**	**$ 4,706**	**$ 4,963**	**$ 4,696**	**$ 4,930**	**$ 6,398**	**$ 6,176**

Totals may not add due to rounding.

(1) Extracted by WSDOT from the State's annual audited financial statements to reflect WSDOT's portion only, adjusted to include funds provided by the Move Ahead Washington Transportation Package and the Climate Commitment Act during the 2022 legislative session. The State's audited financial statements are prepared on a modified accrual basis.

(2) Fiscal year 2021 values reflect unaudited actuals. Fiscal years 2022 and 2023 are based on the February 2022 TRFC Forecast.

(3) Gross MVFT revenues are deposited into the Motor Vehicle Account and distributed to local governments and other State agencies by statute.

(4) WSDOT portion only. Gross licenses, permits and fees are deposited into the Motor Vehicle Account and distributed to local governments and other State agencies by statute.

(5) Includes gross toll revenue, transponder sales, civil penalties, and fees.

(6) Tacoma Narrows Bridge toll revenues are used to reimburse debt service payments on MVFT GO Bonds issued for that project.

(7) Net SR-520 Toll Revenues are pledged to the repayment of certain Triple Pledge and the TIFIA Bond.

(8) SR-99 tunnel toll revenues are used to reimburse debt service payments on MVFT GO Bonds issued for that project.

(9) Includes other non-forecasted sources (e.g., interest income, transfers from other State accounts, and other miscellaneous sources). Amounts in the 2021-23 Biennium include a one-time $2.0 billion transfer from the State's General Fund.

(10) Includes WSDOT accounts only. Does not include other accounts that support expenditures for agencies such as DOL, and WSP.

(11) Other Funding includes appropriated proceeds of bonds sold in each fiscal year and federal funds.

(12) Federal Aid Highway Funds for debt service on GARVEE Bonds.

(13) Federal ARPA funds appropriated for use by WSDOT in the enacted 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Budget.

Source: Washington State Department of Transportation.

Table A-42
Summary of WSDOT Portion of Transportation Expenditures and Ending Fund Balance
($ in millions, for fiscal years ended June 30)

	Actual[1]					Budgeted[2]	
Distributions and Transfers *Fiscal year*	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Debt Service Transfers – MVFT GO Bonds[3]	$ 572	$ 612	$ 620	$ 621	$ 594	$ 639	$ 644
Debt Service Transfers – MVFT/VRF GO Bonds[3]	-	-	-	15	34	66	76
Debt Service Transfers – Toll, Triple Pledge Bonds[3]	47	56	56	56	34	51	51
Debt Service Transfers – VP GO Bonds[3]	12	13	13	15	15	15	15
Debt Service Transfers – GARVEE Bonds[4]	100	100	100	100	100	100	100
Distributions to Cities and Counties[5]	259	278	273	262	246	260	264
Other MVFT Distributions[6]	137	140	137	131	121	130	132
Expenditures by Other Agencies[7]	65	66	66	58	58	76	76
Total Distributions and Transfers	**$ 1,193**	**$ 1,265**	**$ 1,264**	**$ 1,258**	**$ 1,202**	**$ 1,336**	**$ 1,357**
WSDOT Operations							
Ferries Maintenance and Operations	$ 241	$ 259	$ 264	$ 264	$ 264	$ 294	$ 294
Toll Maintenance and Operations	42	45	54	55	54	70	70
Highway Maintenance	225	221	247	233	224	288	288
Facilities and Traffic Operations	47	50	47	52	54	58	58
Aviation and Public Transportation[8]	83	69	141	118	102	179	179
Rail Program	22	24	31	23	19	33	33
Local Programs	6	6	7	7	8	8	8
Operational Activities[9]	149	157	173	169	161	212	212
Operating Appropriations Placed in Unallotted Status	-	-	-	-	-	-	(14)
Total WSDOT Operations	**$ 815**	**$ 831**	**$ 963**	**$ 921**	**$ 885**	**$ 1,143**	**$ 1,130**
WSDOT Capital							
Highway Construction	$ 1,226	$ 1,110	$ 1,332	$ 1,358	$ 1,338	$ 2,414	$ 2,414
Facilities and Traffic Operations	14	14	18	54	19	22	22
Ferry Capital Construction	154	195	184	159	134	258	258
Rail Program	232	53	22	22	20	97	97
Local Programs	29	38	71	164	111	275	275
Capital Appropriations (Unallotted/Unexpended)[10]	-	-	-	-	-	-	-
Total WSDOT Capital	**$ 1,656**	**$ 1,410**	**$ 1,627**	**$ 1,757**	**$ 1,622**	**$ 3,065**	**$ 3,065**
Total WSDOT Transportation Uses	**$ 3,663**	**$ 3,506**	**$ 3,854**	**$ 3,936**	**$ 3,709**	**$ 5,544**	**$ 5,552**
Ending Fund Balance	**$ 1,101**	**$ 1,200**	**$ 1,107**	**$ 746**	**$ 1,202**	**$ 832**	**$ 595**

Totals may not add due to rounding.

(1) Extracted by WSDOT from annual audited financial statements to reflect WSDOT's portion only. The State's audited financial statements are prepared on a modified accrual basis.

(2) Fiscal years 2022 and 2023 represent the 2021-23 Transportation Budget, as supplemented by the 2022 Supplemental Transportation Budget, adjusted for the Move Ahead Washington Transportation Package and Climate Commitment Act during the 2022 legislative session.

(3) Represents WSDOT portions of debt service only. Funds are transferred on a monthly basis and do not match fiscal year debt service requirements.

(4) Federal funds received from the Federal Highway Administration's Federal-Aid Highway Program.

(5) Includes statutory transfers identified in new revenue legislation for cities and counties. MVFT amounts shown above reflect month of collection, whereas amounts in Table 31 reflect month of distribution.

(6) Supports local grant programs are administered to local users through the County Road Administration Board and the Transportation Improvement Board. MVFT amounts shown above reflect month of collection, whereas amounts in Table A-34 reflect month of distribution.

(7) Includes certain legislative committees and commissions and other executive branch agencies.

(8) Includes $5.0 million in capital appropriations to WSDOT's Aviation Program provided in the 2021-23 State Capital Budget, which are not reflected in the State Transportation Budget.

(9) Operational Activities include administrative services, facilities operations and maintenance, transportation planning, information technology, and insurance fees.

(10) Capital appropriations placed in unallotted status or not expected to be expended.

Source: Washington State Department of Transportation.

EMPLOYEES, BENEFITS AND RETIREMENT SYSTEMS

State Employees and Benefits

The State employed approximately 119,285 full-time equivalent ("FTE") employees as of June 30, 2021. Approximately half of the State's FTEs are represented by collective bargaining organizations.

Table A-43
Historical Full-Time Equivalent Employees – All Budgeted Funds by Function[1]
(for fiscal years ended June 30)

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gen. Gov't	9,082	8,269	8,256	8,386	8,420	8,612	8,633	8,813	8,906	8,820
Human Services	31,766	32,205	32,744	33,105	33,722	35,221	36,095	37,285	38,354	39,404
Nat. Resources	6,011	6,232	6,256	6,520	6,661	6,741	6,828	6,982	6,859	6,877
Transportation	10,458	10,457	10,335	10,230	10,185	10,291	10,543	10,648	10,496	10,015
Education	48,603	50,406	51,303	52,296	52,216	52,866	52,889	53,167	55,678	54,169
Total	**105,920**	**107,568**	**108,894**	**110,537**	**111,205**	**113,730**	**114,988**	**116,895**	**120,293**	**119,285**

(1) Rounded to nearest FTE. A Full-Time Equivalent (FTE) is one full fiscal year of paid employment, or the equivalent of 2,088 hours (the number of available function work hours in a year). It is not the number of employees on the payroll or positions in State government. It is a computed average number of State employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include operating and capital FTEs.

Source: Office of Financial Management.

—Employee Benefits

The State, through the PEBB administered by HCA, provides medical, dental, life, and long-term disability coverage to eligible State employees as a benefit of employment. Coverage is provided through private health insurance plans and self-insured products. The State's share of the cost of coverage for State employees is based on a per employee amount determined annually by the Legislature and allocated to State agencies. State employees pay for coverage beyond the State's contribution. State employees accrue vested vacation leave at a variable rate based on years of service, which in general cannot exceed 240 hours per year.

Retirement Plans and Post-Employment Benefits. For a discussion of the State's retirement plans and post-employment benefits, see "—Retirement Systems" and "—Other Post-Employment Benefits."

Compensated Absences. It is the State's policy not to set aside funds for future payments for compensated absences. State employees accrue sick leave at the rate of one day per month without limitation. The State does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the State is liable for 25% of the employee's accumulated sick leave.

Paid Family and Medical Leave. The State and its employees are covered by the State-wide Paid Family and Medical Leave program. See "*—Washington State Paid Family and Medical Leave*."

Long-Term Care Benefits. State employees are eligible to be covered by the State-wide LTSS Trust Program. See "*—Washington State Long-Term Care Services and Supports Benefit Program*."

Labor Relations and Collective Bargaining Groups

There are 45 different collective bargaining organizations currently representing State employees, excluding higher education faculty, graduate students, and certain other ancillary groups. The largest, the Washington Federation of State Employees ("WFSE"), represents approximately 36,750 State employees in general government. State law provides that nothing in the State collective bargaining statute permits or grants to any employee the right to strike or refuse to perform his or her official duties.

Every two years the State negotiates with unions to modify and reach new collective bargaining agreements. Represented State employees work in General Government, for WSF, and for WSP. They also work in both 2- and 4-year institutions of higher education. OFM manages the collective bargaining process on behalf of the Governor with most of the union-represented State employees, except that the 4-year higher education institutions manage their own collective bargaining.

The collective bargaining agreements listed in Table A-40 are those managed by OFM on behalf of the Governor and effective during the 2021-23 Biennium. The agreements cover employees in general government service, WSP, higher education, childcare and home care workers, adult family home providers, language access providers, and employees of WSF.

Agreements for the 2021-23 Biennium went into effect on July 1, 2021 and remain in effect through June 30, 2023. Most contained no general wage increases and a prescribed number of furloughs, however the parties did agree to a reopener to possibly adjust the number of furloughs and the establishment of a personal leave day to recognize the Juneteenth holiday beginning in the fiscal year ending June 30, 2023. The economic outlook drastically improved and the parties agreed to reopen the agreements generally resulting in in a 3.25% general wage increase on July 1, 2022, and lump sum payments. Details vary by agreement, and certain agreements had additional changes that were funded in the 2022 Supplemental Budget. An arbitration award resulted in additional wage increases for members of Teamsters 117 at the Department of Corrections. In addition, the 2022 Supplemental Budget provided funding for certain specific classification salary increases including but not limited to represented positions.

Table A-44
Collective Bargaining Agreements
(effective as of July 1, 2021 for the 2021-23 Biennium)

	Approximate # of Positions
General Government	
Washington Federation of State Employees(1)	37,550
Teamsters Local 117 (DOC and DES)	6,750
Teamsters 760 (DFW Enforcement Sergeants)	25
Professional and Technical Employees Local 17	2,200
Washington Public Employees Association	2,350
SEIU Healthcare 1199NW	1,250
Coalition	850
Fish and Wildlife Officers Guild	100
Washington Association of Fish and Wildlife Professionals	950
Washington State Ferries(2)	1,750
Washington State Patrol Troopers	1,150
Washington State Patrol Lieutenants and Captains	60
Community Colleges	
Community Colleges Washington Federation of State Employees	3,300
Community Colleges Washington Public Employees Association	2,100
Other Non-State Employee Bargaining Groups(3)	
Home Care Individual Providers SEIU Healthcare 775NW	38,200
Child Care Providers SEIU Local 925	6,850
Adult Family Home Council	2,500
Language Access Providers WFSE	1,800

(1) Includes the Washington Federation of State Employees general contract (representing approximately 36,770 positions), Administrative Law Judges (representing approximately 110 positions), and the Association of Washington Assistant Attorneys General (representing approximately 650 positions).

(2) Includes the Inlandboatmen's Union of the Pacific (representing approximately 900 positions) and 11 other collective bargaining units, each representing 200 or fewer positions.

(3) State law also grants collective bargaining rights to certain non-State employee groups, such as home care individual providers and childcare providers, who receive State funds through Medicaid or other State contracts. Includes Home Care Individual Providers (Service Employees International Union ("SEIU")), Child Care Providers (SEIU), the Adult Family Home Council, and Language Access Providers (WFSE).

Source: Office of Financial Management.

Retirement Systems

—Overview of Plans

The State DRS administers six active State-wide retirement systems and two legacy systems, consisting of 12 defined benefit retirement plans and three hybrid defined benefit/defined contribution plans. As of June 30, 2021, the DRS-Administered Active Plans described below (PERS, TRS, SERS, LEOFF, PSERS, and WSPRS) collectively covered 609,482 State and local government members (including active employees, terminated employees entitled to a future benefit, retirees, and beneficiaries).

- ***DRS-Administered Cost-Sharing Multiple Employer Plans:***
  - Public Employees' Retirement System ("PERS") was established in 1947 by State statute and may be amended only by the Legislature. As of June 30, 2021, it covered 313,538 employees, retirees, and beneficiaries of the State (including elected officials and State employees, but excluding the WSP and certain judges covered by legacy systems) and local governments (other than teachers, school employees, firefighters, and other public safety officers).
  - Teachers' Retirement System ("TRS") was established in 1938 by State statute and may be amended only by the Legislature. As of June 30, 2021, it covered 145,578 members (employees, retirees, and beneficiaries), including certificated public school teachers and administrators. It is comprised principally of non-State employees.
  - School Employees' Retirement System ("SERS") became effective in 2000 and may be amended only by the Legislature. As of June 30, 2021, it covered 103,030 members (employees, retirees, and beneficiaries), including non-certificated public school staff. It is comprised principally of non-State employees.
  - Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF") was established in 1970 and may be amended only by the Legislature. As of June 30, 2021, it covered 34,447 members (employees, retirees, and beneficiaries), including principally local law enforcement officers and firefighters, and State Department of Fish and Wildlife enforcement officers. Although most members are not State employees, the State has a special funding situation in which the State makes a non-employer contribution through legislative appropriations to subsidize a portion of the local employer contributions.
  - Public Safety Employees' Retirement System ("PSERS") became effective in 2006 and may be amended only by the Legislature. As of June 30, 2021, it covered 10,395 members (employees, retirees, and beneficiaries), including State and local public safety and corrections officers and employees of State and local public safety agencies.
- ***DRS-Administered Single Employer Plan:***
  - Washington State Patrol Retirement System ("WSPRS") was established in 1947 and may be amended only by the Legislature. As of June 30, 2021, it covered 2,405 members (employees, retirees, and beneficiaries) who are commissioned WSP employees.

Other DRS-Administered Legacy Plans. DRS also administers two legacy plans to provide benefits to certain judges and judicial employees. Together, the plans provide defined benefits to fewer than 100 retirees and beneficiaries. There are no active plan members, and the plans are closed to new entrants. See Note 11(B) and (E) in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund ("VFF Plan"). The VFF Plan was established in 1945 and is a cost-sharing multiple-employer defined benefit plan administered by the State Board for Volunteer Firefighters and Reserve Officers ("VFF Board"). The VFF Board is appointed by the Governor and consists of five members of local fire departments. As of June 30, 2021, there were approximately 362 municipalities contributing to the plan, with the State, as a non-employer contributing entity, contributing 40% of the State fire insurance premium tax revenues collected. As of June 30, 2021, membership consisted of 19,061 members, 24% of whom were receiving benefits. See Note 11(E) in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Higher Education Retirement Plans. The State makes contributions to the Higher Education Retirement Plans that are sponsored by the State's institutions of higher education. Eligible higher education State employees may participate in the Higher Education Retirement Plans or the State-administered plans. The Higher Education Retirement Plans are not administered by DRS and the State is not directly responsible for the plans, which are privately administered single-employer defined contribution plans administered separately by the University of Washington, Washington State University, Eastern Washington University, Central Washington University, The

Evergreen State College, Western Washington University, and the State Board for Community and Technical Colleges. The plans offer a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. Legislation passed during the 2020 legislative session created dedicated trusts for the supplemental defined benefit plans. As of June 30, 2021, the Net Pension Liability for all plans combined was calculated (using a discount rate of 7.40%) to be approximately $203 million. The large decrease in the pension liability is due these plans being reported under a different accounting standard given they now operate with a dedicated trust. This led to a large increase in the discount rate and reflecting the value of the pension assets which reduce the net pension liability. See Notes 11(B), (D), and (E) in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Table A-45 provides a summary of the DRS-Administered Active Plans.

Table A-45
Overview of DRS-Administered Active Plans(1)
(as of June 30, 2021)

Retirement System and Plan		Benefit Type	Participating Employers		Total Members(2)	Members Receiving Benefits(3)	Closed in
			State	Local			
Multi-Employer Plans							
PERS	Plan 1	Defined Benefit	79	224	44,002	42,886	1977
	Plan 2	Defined Benefit	153	865	217,571	63,769	Open
	Plan 3(4)	Hybrid(5)	148	590	51,965	7,193	Open
TRS	Plan 1	Defined Benefit	16	126	31,008	30,762	1977
	Plan 2	Defined Benefit	28	307	33,879	6,594	Open
	Plan 3(4)	Hybrid(5)	39	313	80,691	16,963	Open
SERS	Plan 2	Defined Benefit	-	311	47,704	12,235	Open
	Plan 3(4)	Hybrid(5)	-	312	55,326	12,348	Open
LEOFF	Plan 1	Defined Benefit	-	18	6,604	6,594	1977
	Plan 2	Defined Benefit	9	384	27,843	8,038	Open
PSERS	Plan 2	Defined Benefit	19	65	10,395	459	Open
Single-Employer Plan							
WSPRS	Plan 1	Defined Benefit	1	-	1,623	1,243	2002
	Plan 2	Defined Benefit	1	-	782	3	Open

(1) Excludes legacy plans, VFF Plan, and Higher Education Retirement Plans.
(2) Includes all active plan members (vested and non-vested), terminated members entitled to but not yet receiving benefits, and retirees and beneficiaries receiving benefits.
(3) Includes retirees and beneficiaries receiving benefits.
(4) All new plan members joining after June 30, 2020 default into Plan 2 unless they elect into Plan 3.
(5) A defined benefit plan, combined with a defined contribution portion.

Source: Department of Retirement Systems Annual Financial Report for the fiscal year ending June 30, 2021 and Office of the State Actuary.

—*Funding and Funded Status*

The State's retirement plans are funded by a combination of funding sources: (1) contributions from the State; (2) contributions from employers (including the State as employer and other governmental employers); (3) contributions from employees; and (4) investment returns. State law requires systematic actuarial funding to finance the retirement plans. Actuarial calculations to determine employer and employee contributions are prepared by the Office of the State Actuary ("OSA"), a nonpartisan legislative agency charged with advising the Legislature and Governor on pension benefits and funding policy. OSA is statutorily required to provide actuarial valuations of the DRS-Administered Active Plans every two years (i.e., the report for each odd-numbered valuation year) for use in the biennial contribution rate-setting process. OSA produces a modified actuarial valuation for even-numbered valuation years that relies on valuation results from the prior year (with modifications as needed) and reflects actual asset returns. Prior to the 2021 publication (for the 2020 valuation year), OSA had produced a full valuation report each year. OSA expects that this modified process will not result in substantial differences in key reported results for liabilities, assets, and funded status for the even-numbered valuations from prior practice. The modified report may be combined with other annual publications of OSA.

The fair market value of investments and other assets held in the pension system's commingled trust fund reported in the DRS Annual Comprehensive Financial Report as of June 30, 2021 was $146.0 billion.

Value of Plan Assets. Reports on the funded status present actuarial estimates of assets and liabilities. Assets are valued using the Actuarial Value of Assets ("AVA"), which smooths the effect of annual changes in the Market Value of Assets ("MVA") over a period of up to eight years. Additionally, the AVA is capped at 130% of the MVA and a floor is set at 70% of the MVA. This helps to limit fluctuations in contribution rates and funded status that would otherwise arise from short-term changes in the MVA.

Funded Status. The most recently completed actuarial valuation report released in August 2021 for the fiscal year ended June 30, 2020 (the "Valuation Report for FY 2020") was a modified valuation, as described above. With certain exceptions noted in the report, it relied on the same data, assets, methods, and assumptions as the actuarial valuation report for the year ended June 30, 2019. The data was projected forward one year reflecting assumptions regarding new hires and current member exits. Assets were estimated by relying on assets as of June 30, 2019, reflecting actual investment performance over the fiscal year ended June 30, 2020, and reflecting assumed contribution amounts and benefit payments during fiscal year 2020. Actual participant and financial data as of June 30, 2020 was also reviewed to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans resulting from 2021 legislation.

According to the Valuation Report for FY 2020, the funded ratio for most plans remained between 90% and 105%, except for PERS Plan 1 and TRS Plan 1 (measuring 69% and 71%, respectively) and LEOFF Plans 1 and 2 (measuring 148% and 113%, respectively). The total funded ratio across all plans for the year ended June 30, 2020 increased to 95%, compared to 92% as of June 30, 2019.

Several bills enacted in the 2022 legislative session will affect funded ratios going forward:

- *Senate Bill 5676* – Effective July 1, 2022, For all eligible PERS 1 and TRS 1 annuitants, the bill enacts a one-time, permanent benefit increase of 3% on the first $44,000 of annual pension income (i.e., $110 per month cap). This is the third time since 2018 the Legislature has provided a one-time, permanent increase to PERS 1 and TRS 1 annuitant benefits. This bill is expected to reduce the PERS 1 and TRS 1 funded ratios by 1% each.
- *Substitute House Bill 1701* – This bill creates a benefit improvement for LEOFF 2 members either though a one-time lump sum payment or larger lifetime benefits. A portion of the increased costs from this bill will be paid through an asset transfer from an external Benefit Improvement Account into the LEOFF 2 pension trust. It is expected to increase plan liabilities by 7% and reduce the funded status by approximately 4%.
- *Substitute Senate Bill 5791* – This bill provides a one-time, lump sum payment to active and inactive LEOFF 1 members equal to $100 per year of service. The average lump sum is expected to be $30,000 and it is expected to reduce the LEOFF 1 funded ratio by approximately 5%.

—Assumed Rate of Investment Return

Assumption changes as to investment return and mortality from time to time can result in reductions in the total funded ratio over the phase-in period. The long-term investment return assumptions used as the discount rate for determining liabilities have been decreased in several steps over the past decade from 8.0% a decade ago. An 8.0% discount rate, used for the calculation of 2011-13 Biennium contribution rates, was reduced to 7.5% (7.4% for LEOFF Plan 2) for the calculation of contribution rates for the 2019-21 and 2021-23 Biennium. In October 2021, the Pension Funding Council ("PFC") adopted OSA's recommendations further reducing the investment return assumption to 7.0%. This adjustment is to be phased into contribution rates over a six-year period commencing with the 2023-25 Biennium. Adjustments to the mortality assumption were phased in over three biennia beginning in 2013, with the final adjustments reflected in the 2019-21 Biennium contribution rates.

Table A-46 provides a ten-year history of the AVA, MVA, and percent of AVA to MVA for the defined benefit plans.

Table A-46
Actuarial Value and Market Value of Assets in DRS-Administered Defined Benefit Plans[1]
($ in millions)

As of June 30	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Ratio of AVA to MVA (%)
2011	60,654	57,350	106%
2012	63,122	56,753	111
2013	65,458	62,213	105
2014	68,777	72,553	95
2015	71,460[2]	74,490	96
2016	74,345	75,273	99
2017	80,168	84,853	94
2018	86,855[2]	92,057	94
2019	95,987	100,349	96
2020[3]	103,970	104,221	100
2021[4]	114,556	136,807	84

(1) Includes all DRS-Administered Active Plans except for the defined contribution portion of the various Plans 3, based on the actuarial valuation for the time period reported.

(2) For the purpose of calculating the AVA, the MVA for LEOFF Plan 2 was reduced by approximately $16 million in 2015 and $279 million in 2018. This adjustment reflects the planned distribution, as required by law, from the LEOFF Plan 2 pension trust fund to the LEOFF Plan 2 Benefit Improvement Account. See also "—Additional Information—Plan Benefits—Legislation—*Litigation*," below, regarding transfers directed by the State Legislature in 2019.

(3) Estimation based on actual investment returns during most recent fiscal year consistent with OSA's modified valuation approach during even-numbered valuation years.

(4) Preliminary information available on OSA website at https://leg.wa.gov/osa/pensionfunding/Pages/Valuations.aspx; subject to change pending release of the final Actuarial Report, expected in August 2022. The large investment returns during 2021 will be recognized through the AVA over the course of eight valuation cycles. This asset smoothing has the effect of decreasing the ratio of AVA to MVA.

Source: Office of the State Actuary.

Estimated Pension Liabilities. Table A-47 shows the funded status of all of the DRS-Administered Active Plans under the EAN cost method to value liabilities, compared to the AVA. Table A-48 displays the historical funded ratio for the DRS-Administered Active Plans using the Projected Unit Credit ("PUC") cost method (as of June 30 in the years 2011 through 2014) and Entry Age Normal ("EAN") cost method (as of June 30 in the years 2014 through 2020) to value liabilities, compared to the AVA on the valuation dates.

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Table A-47
Unfunded Liability[1]
($ in millions)

As of June 30, 2020 valuation date	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	WSPRS Plan 1/2	Total[2]
EAN Liability	$ 11,160	$ 45,559	$ 8,105	$ 18,267	$ 6,991	$ 3,973	$ 12,905	$ 814	$ 1,424	$ 109,198
Actuarial Value of Assets	7,686	44,497	5,721	16,967	6,485	5,893	14,520	821	1,379	103,970
Unfunded Liability	$ 3,474	$ 1,062	$ 2,383[3]	$ 1,300	$ 506	$ (1,920)	$ (1,616)	$ (7)	$ 45	$ 5,229

Totals may not add due to rounding.

(1) Liabilities have been valued using the EAN cost method at an interest rate of 7.5% (7.4% for LEOFF Plan 2); assets have been valued using the AVA.

(2) Assets from one plan may not be used to fund benefits for another plan.

(3) Not reflected in the table above, in the 2021-23 Omnibus State Operating Budget, as enacted, the Legislature appropriated $800 million to be deposited on June 30, 2023 to the TRS Plan 1 fund to be applied to TRS Plan 1 UAAL. This would not affect contribution rates during the 2021-23 Biennium, but when deposited would shorten the projected time for the plan to reach full funding. The enacted budget remains subject to amendment by the Legislature in subsequent legislative sessions, prior to the scheduled date of the deposit.

Source: Office of the State Actuary.

Table A-48
Historical Funded Ratio of Defined Benefit Plans

		PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	WSPRS Plan 1/2	Total
PUC Cost Basis[1]											
As of June 30:	2012	69%	111%	79%	114%	110%	135%	119%	134%	114%	101%
	2013[2]	63	102	71	105	102	125	115	124	105	94
	2014[3]	61	101	69	104	101	127	113	124	103	93
EAN Cost Basis[4]											
As of June 30:	2014	61%	90%	69%	94%	91%	127%	107%	96%	100%	87%
	2015[2]	58	88	64	92	89	125	105	95	98	86
	2016	56	87	61	89	87	126	105	94	91	84
	2017[2]	57	89	60	91	88	131	109	95	92	86
	2018	60	91	63	90	89	135	108	96	93	89
	2019[2]	65	96	66	91	91	141	111	101	95	92
	2020	69	98	71	93	93	148	113	101	97	95

Totals may not add due to rounding.

(1) Prior to 2015, the State estimated accrued liabilities using the PUC cost method to estimate accrued pension liabilities for the purposes of reporting funded status. The PUC cost method projects future benefits under the plan, using salary growth and other assumptions, and applies the service that has been earned as of the valuation date to determine accrued liabilities. This liability estimate also relies on the statutorily set discount rate. Liabilities have been valued using the PUC cost method at the interest rate defined in statute while assets have been valued using the AVA.

(2) Reflects actuarial assumptions changes.

(3) Based on actuarial valuation as of June 30, 2014. For fiscal years after June 30, 2014, liabilities are no longer calculated using the PUC cost method.

(4) Since 2015, OSA has used the EAN cost method to estimate accrued pension liabilities for the purposes of reporting funded status. The EAN method represents each plan member's benefits as a constant share of payroll throughout the member's career. This liability estimate incorporates the statutorily set discount rate and the updated demographic assumptions from the June 2020 demographic experience study. See "—*Actuarial Methodology for Funding Calculations*" for more information on the demographic and economic experience studies. Liabilities have been valued using the EAN cost method at the interest rate defined in statute, while assets have been valued using the AVA.

Source: Office of the State Actuary.

—Actuarial Methodology for Funding Calculations

OSA uses actuarial cost and asset valuation methods selected by the Legislature, as well as economic and demographic assumptions. Actuarial valuations are provided annually, but only the valuations for odd-numbered years are used in conjunction with the Legislative budget process to determine contribution rates for a Biennium. The June 30, 2017 valuation was used to determine the contribution rates for the 2019-21 Biennium, and the June 30, 2019 valuation was used to determine the adopted contribution rates for the 2021-23 Biennium.

Economic Assumptions and Experience Studies. The contribution rates beginning July 1, 2019 reflect the following adopted economic assumption changes: (1) rate of investment return: 7.5% per annum (7.4% for LEOFF Plan 2); (2) general salary increases: 3.50% per annum; (3) rate of Consumer Price Index increase: 2.75%; and (4) annual growth in membership: 0.95% (1.25% for TRS, 1.25% for LEOFF). No changes were made to the economic assumptions that were used to determine the adopted contribution rates for the 2021-23 Biennium.

As required by State law, OSA periodically prepares experience studies to assess the reasonableness of their assumptions and inform potential changes to those assumptions. These studies are available on OSA's website (leg.wa.gov/osa).

- Economic experience studies, which compare updated economic forecasts with the assumptions made, are prepared every two years. In August 2021, OSA published the 2021 Report on Financial Condition and Economic Experience Study ("2021 Experience Study") including a recommendation to lower the investment return assumption from 7.5% to 7.0%. At its meeting on October 28, 2021, the PFC adopted OSA's recommended economic assumptions, including a new investment return assumption of 7.0%, which will be phased into contribution rates over a six-year period. The LEOFF 2 Board also adopted OSA's recommended economic assumptions during its November 17, 2021 meeting.
- Every five to six years, OSA performs a demographic experience study, which compares demographic assumptions with actual experience to determine if any adjustments are necessary. The most recent Demographic Experience Study report was published in July 2020 using data from the 2013-2018 period. Updated demographic assumptions incorporating experience regarding mortality, retirement, disability, termination rates, and other assumptions were included in the adopted contribution rates for the 2021-2023 Biennium and the actuarial report for the year ended June 30, 2019. One assumption change from this study includes the adoption of the Society of Actuaries' new public plan mortality tables, Pub.H-2010 and the long-term rates from the MP-2018 mortality improvement scale. The impact to the contribution rates from the new assumptions was significantly less than the study published in November 2014. See "—Current and Forecast Contribution Rates" for information on the contribution rate impact from the previous demographic experience study.

Actuarial Cost Allocations. Actuarial cost methods allocate costs (or benefits) of a plan to different time periods. Costs are allocated using two components: (1) Normal Cost, or the cost of benefits that have not yet been earned and will be spread over the future working lives of current members, and (2) the Unfunded Actuarial Accrued Liability ("UAAL"), which represents past benefit costs (already earned or allocated under the actuarial cost method) that are not covered by plan assets. The shortfall or UAAL must be amortized over a set period of time. Assets from one plan may not be used to fund benefits for another plan. Currently, LEOFF Plan 1 has assets that exceed its accrued liability and no contributions have been required since 2001.

- *PERS Plan 1 and TRS Plan 1* – For PERS Plan 1 and TRS Plan 1, OSA uses a variation of the EAN cost method to determine the actuarial accrued liability. In this method, the UAAL is equal to the unfunded actuarial present value of projected benefits less the actuarial present value of future normal costs for all active members at each valuation date. The present value of future normal costs assumes employers pay the aggregate normal cost rate for Plans 2 and 3 and active members contribute a fixed 6.0%. The resulting UAAL is amortized over a rolling 10-year period, subject to rate floors, as a level percentage of projected system payroll. The projected payroll includes pay from Plans 2 and 3 as well as projected payroll from future new entrants into the system regardless of plan. As a result of this hybrid method, employers are charged the same contribution rate, regardless of the plan in which employees hold membership.
- *All Plans 2/3 and WSPRS* – For all Plans 2 and 3 and WSPRS, OSA uses the aggregate cost method to determine the Normal Cost and the actuarial accrued liability. This method defines the actuarial accrued liability as being equal to the actuarial value of assets, and all remaining costs are amortized over the future

payroll of the active group. As a result of this method, the entire contribution is considered Normal Cost and no UAAL is identified outside the Normal Cost.

The allocation of the Normal Cost between employers and employees varies by plan:

- Plan 2 members pay 50% of the Normal Cost with certain exceptions. Maximum employee contribution rates are set for TRS Plan 2 and WSPRS in accordance with statute.
- Plan 3 of each system has a defined benefit and a defined contribution component. Plan 3 members do not contribute to the defined benefit plan and can select from a variety of contribution rates for the defined contribution component.

—Risk and Sensitivity Analysis

OSA measures both economic and demographic risks. Details on how OSA measures risk can be found under "Commentary on Risk" on OSA's website (leg.wa.gov/osa).

For example, OSA provides an interactive report that permits recalculations of funded status and contribution rates based on different asset valuation methods and discount rates. The interactive report is available at fiscal.wa.gov/actuarydata.aspx.

OSA also uses a dynamic risk assessment model with a stochastic (or probabilistic) component to quantify the likelihood and magnitude of possible future outcomes for pensions taking into account the variability of investment returns and revenue growth. This differs from the traditional reporting methodology, which provides funded status information at a single point in time based on what is expected to occur. Additional details can be found under "Risk Assessment" on OSA's website (leg.wa.gov/osa).

—Plan Contributions

The Legislature has adopted funding goals for the State retirement systems to provide a dependable and systematic process for funding the benefits provided to members and retirees. The goals set forth in statute are: (1) to fully fund the various Plans 2 and 3, and WSPRS, as provided by law; (2) to fully amortize the total cost of LEOFF Plan 1 no later than June 30, 2024; (3) to fully amortize the UAAL in PERS Plan 1 and TRS Plan 1 within a rolling 10-year period, using methods and assumptions that balance needs for increased benefit security, decreased contribution rate volatility, and affordability of contribution rates; (4) to establish long-term employer contribution rates which will remain a relatively predictable proportion of future State budgets; and (5) to fund, to the extent feasible, all benefits for Plans 2 and 3 members over the working lives of those members.

Actuarially Determined Contribution Recommendations. Table A-49 shows the actuarially determined contributions, contributions in relation to the actuarially determined contributions, and the contribution deficiency or excess for each plan for the fiscal years ended June 30 in the years 2017 through 2021. For information on prior years, see DRS's Annual Comprehensive Financial Reports available on DRS's website (www.drs.wa.gov).

For the fiscal years ended June 30 in the years 2017 through 2019, the contribution deficiency is due to the projected mortality improvements, fully represented in the actuarially determined contributions, but has been phased in over three biennia (ending with the 2019-21 Biennium) as adopted by the PFC. See "*—Current and Forecast Contribution Rates*." For more information on funding sources for retirement plan contributions, see "*—State Contributions*" and "*—State and Local Government Contributions*."

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Table A-49
Schedule of Contributions for all Employers (DRS-Administered Active Plans)
($ in thousands)

Fiscal year ending June 30	**2017**	**2018**	**2019**	**2020**	**2021**
PERS PLAN 1					
Actuarially Determined Contributions	$ 656,655	$ 699,732	$ 753,414	$ 718,007	$ 750,493
Contributions in Relation to the ADC	609,287	674,784	726,384	722,512	749,448
Contribution Deficiency (Excess)	47,368	24,948	27,030	(4,505)	1,045
PERS PLANS 2/3					
Actuarially Determined Contributions	$ 700,769	$ 836,652	$ 883,433	$ 919,540	$ 950,009
Contributions in Relation to the ADC	621,927	778,525	820,188	925,303	949,437
Contribution Deficiency (Excess)	78,842	58,127	63,245	(5,763)	572
TRS PLAN 1					
Actuarially Determined Contributions	$ 387,043	$ 455,518	$ 531,110	$ 518,560	$ 553,617
Contributions in Relation to the ADC	348,968	420,540	500,822	521,550	550,653
Contribution Deficiency (Excess)	38,075	34,978	30,288	(2,990)	2,964
TRS PLANS 2/3					
Actuarially Determined Contributions	$ 413,260	$ 486,079	$ 554,532	$ 583,648	$ 605,558
Contributions in Relation to the ADC	364,106	446,275	523,733	584,424	605,742
Contribution Deficiency (Excess)	49,154	39,804	30,799	(776)	(184)
SERS PLANS 2/3					
Actuarially Determined Contributions	$ 157,080	$ 194,785	$ 214,285	$ 215,502	$ 209,991
Contributions in Relation to the ADC	134,727	176,539	200,604	216,713	210,203
Contribution Deficiency (Excess)	22,353	18,246	13,681	(1,211)	(212)
LEOFF Plan 1					
Actuarially Determined Contributions	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the ADC	-	1	3	5	-
Contribution Deficiency (Excess)	-	(1)	(3)	(5)	-
LEOFF Plan 2(1)					
Actuarially Determined Contributions	$ 150,049	$ 156,741	$ 170,551	$ 192,206	$ 198,826
Contributions in Relation to the ADC	158,075	174,576	188,841	194,072	199,626
Contribution Deficiency (Excess)	(8,026)	(17,835)	(18,290)	(1,866)	(800)
PSERS PLAN 2					
Actuarially Determined Contributions	$ 24,617	$ 27,444	$ 34,331	$ 44,220	$ 49,137
Contributions in Relation to the ADC	23,238	26,033	32,468	44,392	48,922
Contribution Deficiency (Excess)	1,379	1,411	1,863	(172)	215
WSPRS					
Actuarially Determined Contributions	$ 8,179	$ 16,648	$ 17,020	$ 25,167	$ 26,401
Contributions in Relation to the ADC	7,587	14,203	14,700	19,897	20,882
Contribution Deficiency (Excess)	592	2,445	2,320	5,270	5,519
TOTALS					
Actuarially Determined Contributions (ADC)	$ 2,497,652	$ 2,873,599	$ 3,158,676	$ 3,216,850	$ 3,344,032
Contributions in Relation to the ADC	2,267,915	2,711,476	3,007,743	3,228,868	3,334,913
Contribution Deficiency (Excess)	229,737	162,123	150,933	(12,018)	9,119

(1) For LEOFF Plan 2, the State is not an employer but makes payments directly to the retirement plan.

Source: Department of Retirement Systems.

State Contributions. In the fiscal year ended June 30, 2021, the State's total contributions to retirement plans from all State funds (excluding non-State employees of K-12 public school districts but including the State's contribution to LEOFF 2 as a non-employer contributing entity) were approximately $1.096 billion. These contributions were made from the General Fund and other State funds and accounts.

Table A-50 summarizes the State's historical General Fund–State contributions to the retirement plans and calculates these contributions as a percentage of total General Fund–State expenditures.

Table A-50
Calculation of Historical General Fund–State Pension Contributions as Percentage of General Fund–State Expenditures[(1)]
($ in millions, for fiscal years ended June 30)

	Audited[(1)]					Budgeted[(2)]	
Fiscal year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Total GF-State Expenditures	$ 19,339	$ 20,448	$ 22,937	$ 23,967	$ 24,584	$ 28,223	$ 32,381
GF-State Pension Contributions							
General Government State Employees	$ 178	$ 79	$ 98	$ 129	$ 145	$ 239	$ 257
K-12 School Employees[(3)]	624	765	1,030	1,084	858	837	1,100
Higher Education Employees	72	36	34	42	38	123	121
LEOFF/Judicial Contributions	66	77	82	78	79	83	93
Total Contributions	$ 940	$ 957	$ 1,244	$ 1,333	$ 1,120	$ 1,244	$ 1,581
GF-State Pension Contributions as % of GF-State Expenditures	**4.9%**	**4.7%**	**5.4%**	**5.6%**	**4.6%**	**4.4%**	**4.9%**

Totals may not add due to rounding.

(1) Fiscal years ended June 30, 2017 through 2021 based on audited financial statements, with the exception of K-12 amounts. See Note 3.

(2) Fiscal years ending June 30 in the years 2022 and 2023 are based on the enacted 2021-23 Omnibus State Operating Budget, as supplemented by the 2022 Supplemental State Operating Budget.

(3) Unaudited estimates based on enacted Omnibus Operating Budgets for all years. Reflects revenues from General Fund–State sources that are provided to the K-12 public schools in respect of local school district pension contributions. Because school districts are not required to track expenditures by revenue stream, actual funds contributed may be comingled with other local school district sources. As a result, there is no direct audit tracing General Fund–State revenue contributed to the pension system in respect of K-12 employees. See "—*State and Local Government Contributions*."

Source: Office of Financial Management.

State and Local Government Contributions. The Legislature appropriates money to OSPI, which then allocates money to each K-12 school district for employee salaries and certain associated benefits for basic education programs. This allocation is driven by formula, based on enrollment, State-established salary levels, adopted contribution rates, and other factors. Local government employers also must meet their required contributions. Participating governmental employers include, but are not limited to, school districts, counties, municipalities, and political subdivisions.

Table A-51 shows current estimates of the allocation of State and local government employer contributions. These estimates include both payments made by the State as well as the allocations made by the State to school districts for pensions.

Table A-51
Estimated State and Local Government Employer Contribution Ratios by Funding Source[(1)]

Retirement System	General Fund–State	Non-General Fund–State	Local Government[(3)]
PERS	20%	30%	50%
TRS[(2)]	87	-	13
SERS[(2)]	57	-	43
LEOFF 2	40	-	60
PSERS	51	7	42
WSPRS	8	92	-

(1) These splits are used by OSA to model approximate cost allocations for employers by fund or type of employer in actuarial fiscal analysis. The reader should exercise caution when using numbers provided in this table for any other purpose.

(2) Represents General Fund–State dollars appropriated to OSPI to be apportioned on behalf of each K-12 school district. The State has only a few employees in TRS and no employees in SERS.

(3) Includes school districts.

Source: Office of the State Actuary.

Current and Forecast Contribution Rates. Contribution rates are adopted during even-numbered years for the next succeeding Biennium according to a statutory rate-setting process. OSA prepares actuarial valuations based on the funding policies in statute. The resulting contribution rates are presented to the Select Committee on Pension Policy ("SCPP"), a 20-member committee of legislators, State agency representatives, and stakeholders. The SCPP may make recommendations to the PFC. The PFC is a six-member group consisting of the Director of DRS, the Director of OFM, the chair and ranking minority member of the House of Representatives Appropriations Committee, and the chair and ranking minority member of the Senate Ways and Means Committee. The PFC reviews recommendations from OSA, SCPP, and the outside actuarial auditors. LEOFF 2 is the single exception to this process: OSA presents its valuation and the resulting contribution rates directly to the LEOFF 2 Board. The PFC and LEOFF 2 Board are required to adopt contribution rates no later than the end of July in even-numbered years. The rates adopted by each are subject to revision by the Legislature. All employers and employees are required to contribute at the level established by the Legislature.

The Pension Funding Council must meet by July 31, 2022 to adopt the 2023-25 contribution rates (which are then subject to review by the legislature during the 2023 session) before going into effect on July 1, 2023.

Table A-52 lists the contribution rates for the State and employees for each retirement plan. The rates are expressed as a percentage of current year covered payroll (members' reportable salary, which generally is gross pay).

Table A-52
Contribution Rates(1)

Retirement System and Plan		2021-23 Biennium Employer Rate(2)	2021-23 Biennium Employee Rate(3)
PERS	Plan 1	10.25%	6.00%
	Plan 2/3(4)	10.25	6.36
TRS	Plan 1	14.42	6.00
	Plan 2/3	14.42	8.05
SERS	Plan 2/3	11.65	7.76
LEOFF	Plan 1	0.18	0.00
	Plan 2(5)	8.71	8.53
PSERS	Plan 2	10.39	6.50
WSPRS	Plan 1	17.84	8.61
	Plan 2	17.84	8.61

(1) TRS and SERS rates are effective September 1; all other plans are effective July 1.
(2) Includes 0.18% DRS administrative expense rate.
(3) Employee contribution rates for Plans 1 and 2 only. Plan 3 members do not contribute to the defined benefit portion of Plan 3. Employee contribution rates for PERS Plan 1 and TRS Plan 1 are set by statute.
(4) Includes elected State officials.
(5) The State pays approximately 40% of the LEOFF Plan 2 employer rate.

Source: Department of Retirement Systems and Office of the State Actuary.

—Plan Investments

Most of the retirement funds are invested by the Washington State Investment Board ("WSIB"). State law requires WSIB to prepare quarterly reports summarizing the investment activities. The State Treasurer or the Treasurer's delegate is the custodian of all funds in the retirement accounts. State law requires that the Board adopt investment policies and use reasonable care, skill, prudence, and diligence in its investments, diversify, and consider the risk and return objectives reasonably suited to the fund. State law does not include a list of permitted investments for retirement funds. WSIB's policy regarding permitted investments, how investments are valued, and a breakdown of investments in the commingled trust fund that is the investment vehicle for the various retirement plans, the securities programs in which the pension trust funds are permitted to invest, and the derivative investments as of June 30, 2021 are described in Notes 3 and 11 of Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

For the quarter ended September 30, 2021, WSIB reported the annualized one-, three-, five-, and 10-year rates of return as 26.88%, 13.69%, 12.72%, and 11.23%, respectively. It reported an annualized rate of return for the first half of the fiscal year ending June 30, 2022 (through the quarter ended December 31, 2022) of 9.1%. WSIB's annual report and audited financial statements, along with unaudited quarterly and monthly reports, are available on its website (www.sib.wa.gov).

Table A-53 shows 1-year annualized investment returns on the retirement funds for the past 10 fiscal years. Historical performance may not be indicative of future expectations.

Table A-53
Historical Commingled Trust Fund Investment Returns

As of	1-Year Annualized Return
June 30, 2012	1.40%
2013	12.36
2014	17.06
2015	4.93
2016	2.65
2017	13.44
2018	10.20
2019	8.36
2020	3.71
2021	28.68

Source: Washington State Investment Board.

—GASB Reporting of Pension Liability Information

The Governmental Accounting Standards Board ("GASB") pension accounting standards implemented in 2014 are reflected in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS, which includes sensitivity of the net pension liability to changes in the discount rate. GASB-required disclosures also appear annually in the DRS Annual Financial Report available on DRS's website (www.drs.wa.gov). State pension funding policies and the methodologies used by the State to represent funded status, however, have not been adjusted for the 2014 changes in the GASB accounting standards.

In accordance with GASB standards, an asset sufficiency test is required to determine if plan assets are projected to be sufficient to pay all future benefits for current members. The plan's MVA is projected to earn the assumed long-term rate of investment return (for GASB purposes, this is 7.40% for all DRS-Administered Active Plans), increased each year by expected contributions to be collected for current member benefits, and reduced by expected benefit payments and expenses; the assumed salary inflation is 3.50%; and the assumed economic inflation is 2.75%. If the plan assets reach zero before the last benefit payment is expected to be made, then the plan liabilities must be valued at a lower, blended discount rate which takes into account a municipal bond rate for the years in which the plan is projected to have insufficient assets to make benefit payments. Based on the asset sufficiency test as of June 30, 2021, all of the DRS-Administered Active Plans are projected to have sufficient assets to pay current plan member benefits.

Net pension liability ("NPL") equals the total pension liability (a measure of the total cost of future pension benefit payments already earned, stated in current dollars) minus the value of the assets in the pension trust that can be used to make benefit payments. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. The annual pension expense is the amount by which the reported net pension liability increased or decreased during the year. This expense does not require the use of current financial resources and, therefore, was not recognized on the operating statement for the General Fund, but it is in the State-wide operating statement in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Table A-54 shows the State's proportionate share of the collective NPL for the various retirement plans based on the State's contributions to a plan relative to the contributions of all participating employers and the State's share of pension expenses for each plan.

Table A-54
State's Share of Net Pension Liability/(Assets) and Pension Expense
for the Fiscal Year Ended June 30, 2021
($ in millions)

Retirement System and Plan		State's Share of NPL (%)	State's Share of Net Liability/(Assets)	State's Share of Annual Pension Expense
PERS	Plan 1	42.07%	$ 1,485.1	$ 82.5
	Plans 2/3	50.58	647.0	71.0
TRS	Plan 1	1.18	28.5	5.7
	Plans 2/3	1.16	17.8	6.3
LEOFF	Plan 1(1)	87.12	(1,645.3)	(84.5)
	Plan 2(2)	39.88	(813.6)	(17.7)
PSERS	Plan 2	62.26	(8.6)	19.7
WSPRS	Plans 1/2	100.00	58.9	21.8
TOTAL			**$ (230.2)**	**$ 104.7**

Totals may not add due to rounding.

(1) The State is a non-employer contributing entity to LEOFF Plan 1.

(2) The State's share of LEOFF 2 net plan assets as an employer is $17.9 million (0.88%); the State's share as a non-employer contributing entity is $795.6 million (39.00%). The State recognized pension expense of ($0.4) million as an employer and ($17.3) million as a non-employer contributing entity.

Source: Washington State Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

—Additional Information

Additional information on the State's defined benefit plans, including the benefits to retirees, information on the State's smoothing method used in the rate setting process, and the UAAL as a percentage of covered payroll of each plan, is presented in Note 11 and in the "Required Supplemental Information–Pension Plan Information" in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS. Note 3 describes eligible investments for the State's pension plans.

Plan Benefits. Benefits under the retirement plans are established by the Legislature. See Note 11.B in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS for a description of retirement benefits and eligibility.

Constraints on Legislation Affecting Plan Benefits. Although the State Constitution does not directly mention public employee pensions, the State Supreme Court has held that an employee "who accepts a job to which a pension plan is applicable contracts for a substantial pension and is entitled to receive the same when he has fulfilled the prescribed conditions. His rights may be modified prior to retirement, but only for the purpose of keeping the pension system flexible and maintaining its integrity." Under this analysis, the State Supreme Court validated the constitutionality of legislation that repealed gain sharing benefits to certain members and eliminated automatic, annual, service-based adjustments, which had been paid annually to eligible PERS and TRS Plans 1 retirees. Legislation modifying early retirement factors for new employees in PERS, TRS, and SERS has also been enacted.

Risk of Bankruptcy of Participating Local Government. If a local government that participates in the State pension system were to file for bankruptcy, State law would require the State to continue to provide benefits to retirees of the local government. State law does not address the priority of payments for contributions to the pension system in the event a local government does not have sufficient funds to meet all of its obligations. If a local government filed for bankruptcy under chapter 9 of the Bankruptcy Code, the bankruptcy court would have some discretion with respect to past and future pension obligations under a plan for adjustment of debt.

Federal Benefits. State law extends to State employees the basic protection accorded to others by the old age and survivors insurance system embodied in the Social Security Act. Members in WSPRS have opted out of the federal social security program. Other State employees have opted into the federal program. The State pays the U.S. Treasury the amount prescribed under the Social Security Act for contributions with respect to wages. The State withholds the employee contribution from State employees' wages.

Other Post-Employment Benefits

—Overview

In addition to pension benefits as described above, the State, through the HCA, administers a single-employer defined benefit OPEB plan. The State's OPEB liabilities are non-contractual liabilities. The relationship between the PEBB Plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the assumption used in valuations assumes that this substantive plan will be carried forward into the future.

—Plan Description

The PEBB, administered by the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability. See Note 12 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS, for further description of the benefits provided.

The PEBB Plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the PEBB Plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB Plan has no assets and does not issue a publicly available financial report.

—PEBB Membership

The PEBB Plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums. Retirees' access to the PEBB Plan depends on the retirement eligibility of their respective retirement system. State employers participating in the PEBB Plan include State general government agencies, higher education institutions, and component units. Local government employers (including K-12 public school districts and educational service districts, and other political subdivisions) and tribal governments may participate in the PEBB Plan. The PEBB Plan is also available to the retirees of K-12 public school districts, charter schools, and educational service districts. OSA also relies on active employee information from the Retirement Systems to estimate the number of future retirees who will participate in the PEBB Plan. See "—Retirement Systems—*Actuarial Methodology for Funding Calculations*."

Table A-55 shows the most recently published PEBB Plan membership data.

Table A-55
State PEBB Plan Eligible Participants(1)
(as of June 30, 2020)

Active Employees(2)	129,218
Retirees Receiving Benefits(3)	35,843
Retirees Not Receiving Benefits(4)	6,000
Total Active Employees and Retirees	**171,061**

(1) Reflects State employees only; excludes employees of political subdivisions, local governments (including K-12 school districts) and tribal governments that may be eligible to join PEBB at retirement.

(2) Reflects active employees of the State eligible for PEBB program participation as of June 30, 2020.

(3) Excludes approximately 14,813 spouses of retirees that are participating in a PEBB program as a dependent.

(4) This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. They are not eligible for benefits unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State that meets the requirements set forth in State regulations.

Source: Washington State Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

—Contribution Information

Explicit subsidy costs, as well as administrative and implicit subsidy costs, are funded by required contributions from participating employers. All PEBB Plan benefits are funded on a pay-as-you-go basis. Information on the results of an actuarial valuation of the employer-provided subsidies associated with the PEBB Plan is available from the OSA. The explicit subsidy provides direct monetary assistance for medical benefits. The State's explicit subsidy contributions are set each biennium by the Legislature as part of the budget process. The implicit subsidy is the benefit to the retiree that accrues from obtaining benefits at a reduced cost through the PEBB Plan. The amount of the implicit subsidy is indirectly established by the HCA on an annual basis when it determines the premium of each of the non-Medicare health plans.

The estimated monthly cost for the explicit benefits provided under the PEBB Plan for the reporting period for each active employee (average across all plans and tiers) is set forth in Table A-56.

Table A-56
Estimated Monthly Cost for PEBB Benefits for Calendar Year 2021

Required Monthly Premium[1]	
Medical	$ 1,119
Dental	78
Life	4
Long-Term Disability	2
Total Monthly Premiums	**$ 1,203**
Contributions	
Employer Contribution	$ 1,038
Employee Contribution	166
Total Contributions	**$ 1,203**

(1) Based on FY2022 PEBB Financial Projection Model 1.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on projections for calendar year 2021.

Source: Washington State Health Care Authority.

—Actuarial Valuation of Total OPEB Liability, Methods, and Assumptions

The State implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for financial reporting for the fiscal year ended June 30, 2018. The most recent actuarial valuation is the 2020 Public Employees Benefits Board Other Postemployment Benefits Actuarial Valuation Report (the "2020 PEBB OPEB Valuation"), published by OSA in June 2021, with a measurement date as of June 30, 2020. This information is reflected in Note 12 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

The State's Total OPEB Liability ("TOL") in the 2020 Valuation was calculated pursuant to GASB 75 using the EAN cost method. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the TOL was set to 2.21% for the June 30, 2020 measurement date (equal to the Bond Buyer General Obligation 20-Year Municipal Bond Index). Healthcare trend assumptions were prepared by Milliman and vary by medical plan and Medicare coverage and for costs and retiree contribution. OSA assumed a medical post-retirement participation percentage of 65%, with 45% coverage with spouse, and 100% Medicare coverage after initial participation. The cap on the explicit subsidy provided through the monthly premium reduction for Medicare (post-65) retirees and their spouses remains at $183 for calendar year 2022 and was last increased in 2020. Additional detail on assumptions and methods can be found on OSA's website (leg.wa.gov/osa).

—Total OPEB Liability

Historical OPEB obligations are presented below in accordance with the GASB reporting rules applicable to each reporting year. For the fiscal years ended June 30, 2015 through 2017, Table A-57 shows the State's historical Net OPEB Obligation ("NOO") reported in accordance with GASB 43 and 45. For the fiscal years ended June 30, 2018 through 2020, Table A-58 shows the Schedule of Changes in TOL reported in accordance with GASB 75.

Table A-57
Historical (2015-2017) Annual OPEB Cost and Net OPEB Obligation Under GASB 43/45
($ in thousands for fiscal years ended June 30)

		2015	2016	2017
a.	Beginning Net OPEB Obligation (NOO)(1)	$ 1,894,567	$ 2,322,888	$ 2,760,715
b.	Annual Required Contribution (ARC)(2)	498,399	516,899	534,198
c.	Interest on the NOO	75,783	92,916	103,527
d.	Amortization of the NOO	(71,806)	(89,152)	(107,438)
e.	Annual OPEB Cost (b+c+d)	502,376	520,663	530,287
f.	2012 Adjustment	-	-	-
g.	Contributions for Fiscal Year(3)	(74,055)	(82,836)	(95,431)
h.	**Ending NOO (1) (a+e+f+g)**	**$ 2,322,888**	**$ 2,760,715**	**$ 3,195,571**

(1) NOO was the GASB disclosure requirement on the balance sheet.
(2) ARC was the annual contribution that will fund the current active and inactive members' subsidies by the end of their working lifetimes.
(3) Contributions for fiscal year include the estimated explicit subsidies and implicit subsidies.

Source: State's Annual Comprehensive Financial Reports.

Table A-58
Schedule of Changes in State's Total OPEB Liability Under GASB 75
($ in thousands; for fiscal years ended June 30)

	2018	2019	2020	2021
Beginning Total OPEB Liability (as of July 1)	**$ 6,238,681**	**$ 5,822,159(1)**	**$ 5,075,443**	**$ 5,800,108**
Service cost	394,709	317,324	234,849	251,118
Interest	184,884	218,159	203,719	210,229
Changes in benefit terms	--	--	-	-
Difference between expected and actual experience	--	199,136	-	(32,190)
Changes in assumptions	(901,867)	(1,389,199)	379,378	136,169
Benefit payments	(94,220)	(92,139)	(93,189)	(100,015)
Changes in proportion	--	3	(92)	187
Other	--	--	--	(213,966)
Net Changes in TOL	(416,494)	(746,716)	724,665	251,367
Ending Total OPEB Liability (as of June 30)(2)	**$ 5,822,187**	**$ 5,075,443**	**$ 5,800,108**	**$ 6,051,475**

Totals may not add due to rounding.
(1) TOL beginning balance reflects certain minor restatements.

Source: State's Annual Comprehensive Financial Reports. Accounting results are measured as of the prior fiscal year-end.

INVESTMENTS, FINANCIAL POLICIES, AND RISK MANAGEMENT

Investments and Cash Management

The State Treasurer manages and invests two distinct sets of funds: State funds and Local Government Investment Pool ("LGIP") funds. State funds include funds in the State Treasury that are subject to legislative appropriation and funds in the State Treasurer's Trust Funds, which are accounts placed in the custody of the State Treasurer but not typically subject to biennial appropriation. The State Treasurer also manages separately the LGIP funds, a voluntary investment option for State and local government agencies, as well as a number of separately managed local government portfolios.

Separately, the WSIB manages and invests State retirement plan funds, State injured-worker insurance funds, and various permanent funds. Its 15-member board consists of ten voting members and five non-voting members. The ten voting members include the Director of L&I, the Director of DRS, the State Treasurer, five representatives of the public employee retirement systems, and two legislators (one from each chamber).

See generally, Note 3 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

—State Treasury and Treasurer's Trust Funds

Funds in the State Treasury and Treasurer's Trust Funds are managed by OST pursuant to State laws governing permitted investments consistent with investment policies that provide further restrictions. In keeping with State law, funds within the State Treasury and Treasurer's Trust Funds are commingled for investment and cash management purposes and are currently invested by OST in three sub-portfolios: a Liquidity Portfolio, Flexible Core Portfolio, and a Core Portfolio. Earnings on all portfolios are calculated and distributed to individual funds on an accrued basis.

The Liquidity Portfolio is a short-term investment fund managed to meet the daily cash requirements of the State Treasury and Treasurer's Trust Funds. Balances in the Liquidity Portfolio fluctuate within a wide range (from near zero to more than $3.0 billion). Historically, balances have tended to increase sharply with the receipt of seasonal tax payments and bond proceeds, and to decline with the pace of operating and capital expenditures.

Funds not anticipated to be needed in the near-term are invested in both the Flexible Core and Core Portfolio. The Flexible Core portfolio has a duration target of approximately 1.9 years and maximum maturity of 5.5 years. The Core Portfolio has a target duration of approximately 2.1 years and a maximum maturity of 10 years. The performance benchmark of the Core Portfolio is the weighted total return of the Bloomberg Barclays US Treasury 0-1 Year Maturity Index (15%); the Bloomberg Barclays US Treasury 1-5 Year Index (55%) and the Bloomberg Barclays Agency 1-5 Year Total Return Index (30%). A subset of funds in the Core Portfolio are invested in a separate Corporate sub-portfolio. The Corporate portfolio has its own benchmark and invests in corporate notes of the same duration and maturity limitations as the Core Portfolio.

The month-end balances in the State Treasury and Treasurer's Trust Funds vary widely and have generally ranged from $3 billion to $12 billion between fiscal year 2006 and fiscal year 2021, with some month-end balances between $1.9 billion and $3 billion during the economic downturn in fiscal years 2009 through 2012. See Note 3(F) in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Table A-59 shows average daily balances on a monthly and 12-month period basis.

Table A-59
State Treasury and Treasurer's Trust Funds
Average Daily Balances by Security Class
($ in thousands)

	March 2022		Average over Preceding 12-Month Period[1]	
U.S. Agency	$ 1,898,545	14.1%	$ 1,844,760	14.6%
Supranational Agency	2,483,564	18.5	2,498,923	19.8
U.S. Treasury	6,400,563	47.7	5,422,183	43.0
Corporate Notes	525,866	3.9	452,403	3.6
Repurchase Agreements	-	0.0	3,427	0.0
Bank Deposits	201,786	1.5	286,554	2.3
LGIP Deposit[2]	1,851,310	13.8	2,049,534	16.2
Certificates of Deposit	61,222	0.5	64,805	0.5
Total	**$ 13,422,855**	**100.0%**	**$ 12,622,588**	**100.0%**

Totals may not add due to rounding.

(1) Average daily balance for 12-month period from April 1, 2021 through March 31, 2022. The weighted average maturity on March 31, 2022 was 516 days.

(2) See "*—Local Government Investment Pool Funds.*"

Source: Office of the State Treasurer.

Table A-60 shows historical fiscal year-end cash balances in the State Treasury and Treasurers' Trust Funds by category.

Table A-60
State Treasury and Treasurer's Trust Funds
Historical Fiscal Year-End Cash Balances by Category
($ in millions, for fiscal years ended June 30)

	2017	2018	2019	2020	2021
General Fund–State	$ 899	$ 1,761	$ 1,058	$ 2,469	$ 4,664
Bond Proceeds and Certain Transportation Funds[(1)]	642	1,399	1,252	1,225	1,294
Other[(2)]	5,392	5,441	6,461	6,832	7,880
Total	**$ 6,933**	**$ 8,601**	**$ 8,771**	**$ 10,526**	**$ 13,838**

Totals may not add due to rounding.
(1) Includes bond proceeds and other transportation-related funds.
(2) Includes all other State operating funds that are either in the State Treasury or in the custody of the State Treasurer.
Source: Office of the State Treasurer.

—Local Government Investment Pool Funds

The LGIP is a voluntary pool managed by OST that offers its participants safety of principal, 100% liquidity on a daily basis, and the economies of scale inherent in pooling. The State and more than 600 local governments participate in the LGIP.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification, and liquidity requirements set forth in GASB Statement No. 79 for external investment pools that wish to measure all investments at amortized cost for financial reporting purposes. The maximum weighted average maturity ("WAM") is 60 days, and maximum weighted average life is 120 days. The maximum final maturity is 397 days, except for floating- and variable-rate securities, and securities that are used for repurchase agreements. The WAM of the LGIP generally ranges from 30 to 60 days. The benchmarks utilized for the LGIP are the Government and Agency money market net and gross yields reported by iMoneyNet. The net yield is utilized for external comparisons while the gross yield is used internally to assess portfolio manager performance. See Note 3(D) in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Table A-61
Local Government Investment Pool Funds Average Daily Balances by Security Class
($ in thousands)

	March 2022		Average over Preceding 12-Month Period[(1)]	
U.S. Agency	$ 3,992,484	20.0%	$ 4,026,474	18.5%
Supranational Agency	486,715	2.4%	282,789	1.3%
U.S. Treasury	9,504,635	47.6%	13,678,987	62.8%
Repurchase Agreements	3,921,774	19.7%	1,507,745	6.9%
Interest Bearing Bank Accounts	1,976,068	9.9%	2,197,906	10.1%
Certificates of Deposit	68,496	0.3%	98,423	0.5%
Total	**$ 19,950,172**	**100.0%**	**$ 21,792,325**	**100.0%**

(1) Average daily balance for 12-month period from April 1, 2021 through March 31, 2022. The weighted average maturity on March 31, 2022 was 29 days.
Source: Office of the State Treasurer.

In addition to the LGIP, OST is authorized to provide separately managed investment portfolios to eligible governmental entities and currently has contracted with seven local governments to manage a total of approximately $854 million (combined) of their core balances. These separately managed portfolios are invested in a manner similar to that of the State's Core Portfolio.

Other Significant Accounting Policies and Procedures

State law requires accounting for expenditures and revenues based upon GAAP applicable to State governments, as published in the State Administrative and Accounting Manual prepared by OFM. For fund statement reporting purposes, the State uses the modified accrual basis of accounting for governmental funds and the current financial resources measurement focus, in which only current assets, current liabilities, deferred outflows of resources, and deferred inflows of resources are included on the governmental funds balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). See Note 1 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

—Budgetary Reporting vs. GAAP Reporting

In the governmental operating statements, fund reporting of revenues and expenditures is performed on a modified accrual basis. However, the presentation in the budgetary schedules set forth in this Appendix is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance. See Notes to Required Supplementary Information in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

—Proposed Changes to Accounting Procedures

Under State law, if the Governor wishes to recommend in a budget proposal any changes in accounting methods and practices (or in statutes affecting expenditures or revenues for the ensuing Biennium) relative to the then-current Biennium, such changes must be clearly and completely explained in the budget document (or special appendix), or in an alternative budget document.

Fiscal Monitoring and Controls

OFM works with State agency fiscal staff to produce detailed monthly spending plans or allotments for all State agencies, based upon the enacted budgets and official forecasts. OFM monitors spending plans on a monthly basis and recommends actions the Governor may take to adjust spending and revenue as appropriate.

State agencies generally are prohibited from incurring cash deficits. However, State law does allow for temporary negative cash balances in a specific fund or account if the temporary deficiency results from disbursements under a spending plan approved by OFM; is specifically authorized by the director of OFM in a detailed authorization that expires at the end of the Biennium unless renewed by OFM; or exists in a fund or account which is neither in the State Treasury, nor in the custody of the State Treasurer, but only if the deficiency does not continue past the end of the Biennium. Temporary deficiencies may also exist in a construction account if the deficiency is due to seasonal cash deficits pending receipt of proceeds from authorized bond or note sales.

The Governor may order across-the-board reductions in allotments to specific funds or accounts to prevent a cash deficit. Across-the-board reductions are not made to funding for K-12 basic education, pension benefits, or general obligation debt service funding. Such reductions may be made only within a fund with a cash deficit. In addition, the Governor may direct cabinet agencies to limit their discretionary spending. The Legislature may direct that a cash deficit in a particular fund or account be eliminated over one or more fiscal biennia. Unused appropriation authority resulting from an across-the-board reduction in a fund or account is placed in reserve status and reverts to the fund of origin at the end of the Biennium.

—Auditing

The State Auditor's Office ("SAO") audits the State-wide combined financial statements for each fiscal year. The State Auditor is a State-wide elected official and one of the nine constitutionally created executive branch offices. See Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS. The SAO is responsible for performing audits at the State government level, including financial audits, federal assistance "single audits," and performance audits. The SAO also conducts accountability audits at each State agency on a cyclical basis. These audits examine internal controls and compliance with State laws, rules, regulations and policies. The SAO also conducts audits to verify State agency compliance with information technology security standards.

—Financial Reporting System

The Agency Financial Reporting System ("AFRS") functions as the State-wide financial accounting system. The financial data collected in AFRS is used to generate monthly and other periodic financial statements at the State-wide combined level and at the agency, fund, and program levels for use by OFM and State agencies in monitoring expenditures, preparing budgets, and preparing the State's annual financial statements. The State has begun the process of replacing AFRS with an integrated cloud-based reporting system, as described below.

—Replacement of Administrative and Information Technology Systems (One Washington)

The State has undertaken a project, referred to as One Washington, to modernize and integrate its core enterprise functions for finance, procurement, budget, human resources and payroll, by implementing a cloud-based enterprise resource planning system. In degrees, the modernization effort will touch all State agencies, the three branches of State government, institutions of higher education, the vendor community, and many State residents. The Legislature's first investment into modernizing the State's aging and poorly integrated core enterprise administrative tools occurred in 2013 with the authorization and funding for a report documenting the business case for undertaking the project. This report was the foundation for subsequent strategic planning and research in which the Legislature has continued to invest.

The program office is now ready to begin multi-Biennium implementation activities. The initial priority for implementation focuses on AFRS, the State's financial reporting system, built on 1960s-era COBOL technology. The 2020 Supplemental Omnibus State Operating Budget provided approximately $20.1 million to begin replacement of AFRS with an Enterprise Resource Planning ("ERP") system. The 2021-23 Omnibus State Operating Budget provided an additional $59.9 million, $50.7 million for Phase 1a – core financials and $9.2 million for Phase 1b – expanded financials and procurement. In early fiscal year 2021, One Washington began to work with a system integrator to implement the new ERP system and replace AFRS. Initial finance go-live is scheduled for fiscal year 2023 with additional functionality (procurement, human capital management, and budget) following in subsequent Biennia. This funding will also allow the program to continue critical agency readiness activities to better prepare State employees for the transition to the new ERP system.

Modernization of the remaining business functions (procurement, budget, human capital management) are expected to follow in subsequent Biennia. Prioritization and sequencing of the remaining functions, anticipated bolt on services to address unique requirements, and identification of system/data integration needs will be factors in a future cost statement.

Insurance Coverage & Risk Management

—Self-Insurance

The State operates a self-insurance liability program ("SILP") for third-party claims against the State for injuries and property damage up to $10 million for each occurrence. Excess insurance policies are also purchased for these risks, which covers amounts above a self-insured retention ("SIR") up to an annual limit of $50 million. The current SIR is $10 million for all agencies except DCYF, DSHS, DOC, and WSDOT, which have higher SIR levels. Insurance is procured annually and the SIR may change. SILP is administered by DES with money available in a statutorily based Liability Account within the Risk Management Fund. The Legislature designates a specific amount for the Liability Account each year. For the biennium beginning July 1, 2021, the Legislature has designated $299.966 million for the Liability Account. The Liability Account is funded by annual premiums assessed to State agencies based on each agency's loss history (paid claims over the most recent six years and open reserves for pending claims). State statutes do not permit the Liability Account to exceed 50% of the State's outstanding liabilities as determined biannually by an independent actuary. Although the budgeted amount may differ from the actuary's recommendation, the Legislature has consistently funded SILP in a manner that has maintained its solvency.

General liability and auto claims are investigated and settled through the coordinated efforts of DES, the Office of the Attorney General, and WSDOT (if against WSDOT) with consultation and agreement of the affected agency. Approved claims (including judgments, settlements, and related defense costs for tort liability and certain federal due process claims) are paid by DES from the Liability Account. In fiscal year 2021, month end balances of the Liability Account ranged from a deficit of $223.346 million to a deficit of $129.699 million. The balance in the Liability Account varies as claims and judgments are paid. As of June 30, 2020, outstanding and actuarially determined claims against the State and its agencies (except for the University of Washington and WSF), including projected defense costs, that were payable from the Liability Account were estimated at $1.145 billion, including all unresolved claims.

SILP covers the State, its agencies, governing bodies, boards, and commissions. The University of Washington does not participate in SILP but operates its own self-insurance program and purchases a variety of commercial insurance, including excess liability and property policies. As of July 1, 2019, WSF began participating in SILP with respect to auto and general liability claims not covered by purchased insurance. See Notes 7(E) and 10 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

—Commercial Insurance

The State also purchases other commercial insurance such as aviation insurance providing aircraft and airport liability coverage for agencies and colleges with aviation exposures, a fidelity policy covering fraudulent or dishonest acts of all State officers and employees, special policies covering specific buildings such as certain buildings at Washington State University, and business interruption and property coverage for toll facilities, including the Tacoma Narrows Bridge and the SR-520 Floating Bridge. The SR-99 Tunnel is not covered by these policies.

The State purchases a marine policy to cover the vessels, terminals, and operations of the WSF System. The policy combines general liability, pollution liability, vessel hull and machinery, and property insurance in a master policy and includes coverage for war/terrorism risk for all vessels, dockside structures, and equipment.

The State also maintains a master property policy covering all risks for selected buildings, contents and electronic data processing equipment. The policy covers approximately $5.7 billion of State buildings and equipment located throughout the State. The coverage is for the replacement value of the buildings up to $500 million for each occurrence and covers natural disasters, including earthquakes and floods, and also covers terrorism. The insurance has a $250,000 deductible.

—Cybersecurity Insurance

The State carries two insurance policies providing cybersecurity coverage. The property insurance policy contains a provision that provides for cyber breach coverage for entities that have insured property on the policy. This coverage is available to cover breach response costs, costs of notification of parties affected by the breach, credit monitoring services, lost business costs, and legal expenses. See also "SPECIAL INVESTOR CONSIDERATIONS—Cybersecurity and Information Technology."

CERTAIN STATE-ADMINISTERED EMPLOYMENT-RELATED AND OTHER PROGRAMS

Workers' Compensation Program

The Workers' Compensation Program is administered by L&I and insures payment of benefits for approximately 70% of the work force in the State, excluding self-insured employers and their employees. The Workers' Compensation Program provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals who sustain work-related injuries or illness.

The Workers' Compensation Program's main benefits plans are funded based on rates that are designed to keep these plans solvent in accordance with recognized actuarial principles and to limit fluctuations in premium rates. The accrual of future payments for workers that were injured as of June 30, 2021, was estimated to be approximately $34.6 billion, including $19.05 billion for supplemental pension cost-of-living adjustments ("COLA Benefit"), described in the next paragraph. As of June 30, 2021, there were $19.8 billion of invested assets (measured at fair value), mainly long-term fixed income securities, to help fund these accrued benefits.

The COLA Benefit pays workers' compensation time loss and pension benefit payments for injured workers (or their survivors receiving disability payments), whether insured through the State or through self-insured employers. It is paid out of the Supplemental Pension Account administered by L&I. By State law, the State is permitted to collect only enough revenue in the Supplemental Pension Account to fund the current payments and no assets are allowed to accumulate for the future servicing of claim payments. The program's actuaries estimate these rates so that yearly premium payments will be sufficient to make the current payments.

See Note 3(C) for investments in the Workers' Compensation Fund and Note 7(E) in Appendix D–THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

Unemployment Insurance and the State Unemployment Insurance Trust Fund

The Washington State Employment Security Department ("ESD") administers the State's unemployment insurance system. It provides weekly unemployment insurance payments for workers and is a partnership among federal and state governments. Most employers pay unemployment insurance payroll taxes to both their state and the federal government. Workers in Washington State do not pay unemployment taxes.

The Federal Unemployment Tax Act ("FUTA") directly finances the administrative costs of running the states' unemployment insurance programs, such as State employment security staff salaries, equipment, software, and supplies used in direct support of the Unemployment Insurance, Employment Services, and Labor Market Information programs. FUTA also provides reserve funds for possible extended benefits programs or loan funds to states that deplete their benefit accounts. The State Unemployment Tax Act ("SUTA") directly sends revenues to the Washington State Unemployment Insurance Trust Fund ("UITF"). The State unemployment tax has two components: (1) experience-rated tax based on a rolling four-year average of the employer's layoff history, and (2) social-cost tax based on benefit costs from the previous year that are not attributed to a specific employer. The funds can only be used to pay unemployment benefits.

—Recent Unemployment Claims Experience and the COVID-19 Pandemic

The COVID-19 pandemic and emergency response placed ESD's services in high demand, especially unemployment insurance and Paid Family and Medical Leave. ESD has made significant progress in ameliorating the backlog. With the ending of extended benefits under the Federal Coronavirus Relief Legislation in September 2021, claimant caseloads are similar to pre-pandemic levels.

Initial regular unemployment claims received by ESD in the week ending March 5, 2022 were 5,174, bringing the four-week average number of unemployment initial claims to 4,623 per week. During the same time in 2020, there were 11,760 claims. According to the monthly unemployment rate released by ESD, the State's unemployment rate in January 2022 was at 4.4%.

—Unemployment Tax Rates and UITF Balance

The State UITF balance as of March 11, 2022 was $2.2 billion and has funding sufficient for approximately 5.0 months of benefits under projected economic conditions. Historical average combined unemployment tax rates as a percentage of taxable wages and unemployment compensation fund balances for the fiscal years ending June 30, 2016 through June 30, 2021, are shown in Table A-62.

Table A-62
Average Combined Unemployment Tax Rates and Unemployment Compensation Fund Balances
(for fiscal years ended June 30)

Fiscal Year	Average Tax Rate(1)	Balance *($ in millions)*(2)
2017	1.24%	$ 4,224
2018	1.10	4,466
2019	1.24	4,682
2020	0.92	2,836
2021	1.40	1,862

(1) Average Tax Rate on taxable wages as of the second quarter of the year.
(2) The State trust fund is held in an account for the State in the federal Unemployment Trust Fund of the U.S. Treasury.

Source: U.S. Department of Labor-Unemployment Insurance Data Summary and TreasuryDirect.®.

The U.S. Treasury holds the State's UITF in the federal unemployment insurance trust fund. There are no federal requirements for the amount of funds that should be kept in a state's UITF, however each state operates on a forward funding basis by building up reserves in anticipation of paying a higher amount of benefits during recessionary periods. By State statute, an additional solvency surcharge would be added to employers' contributions if the available funds on September 30 of any given year are below a level needed to pay seven months of benefits. The surcharge is set by ESD at the lowest rate necessary to increase the balance to amounts sufficient to pay nine months of benefits, but not to exceed 0.2%. This surcharge is not currently in effect and is waived through 2025 under State legislation enacted in February 2021.

Recently passed State legislation, Engrossed Substitute Senate Bill 5478, slightly decreases the maximum UI social tax for 2022 and 2023 and sets a maximum UI rate class for the purposes of calculating the social cost factor to be paid by small businesses in 2023. The legislation is projected to reduce revenue going into the UITF by $248 million over 2 years (2022-2023). Nevertheless, ESD projects that the UITF will not require a Title XII loan and that the fund balance will continue increasing in 2022. As of March 11, 2022, the number of months of benefits remaining in the UITF is 5.0 months and ESD currently projects that it will not drop below 1.0 month of benefits in calendar year 2022. When the months of benefits available in the UITF drops below 1.0 month, it triggers a federal requirement to request a Title XII advance. ESD projects that WA's UITF will not require a Title XII advance in 2022 or beyond. This projection is being monitored closely and remains subject to change, particularly as the economy recovers and the fund is stabilizing. In the last twenty years, the State has not borrowed from the federal government to pay unemployment benefits and it has not issued debt for this purpose.

State Paid Family and Medical Leave

In 2020, Washington became the fifth state in the nation to offer paid family and medical leave benefits to workers in the State. The Paid Family and Medical Leave program is a State-wide insurance program that provides 12 to 18 weeks paid leave for eligible workers to give or receive care. Eligible workers must have worked at least 820 hours (equivalent to 20.5 full-time weeks) for any employer in the State during the qualifying period before the leave begins. Benefits range between $100 and $1,327 per week, depending on income; the maximum benefit is adjusted annually. The program is funded by employer and employee premiums and is administered by ESD. As of December 31, 2021, the program has paid out over $1.53 billion in benefits from the Paid Family and Medical Leave trust.

State Long-Term Care Services and Supports Benefit Program ("WA Cares")

In 2019, legislation created the Long-Term Services and Supports ("LTSS") Trust Program ("WA Cares") to provide certain long-term care benefits to eligible beneficiaries. Benefits will be paid directly to LTSS providers on behalf of eligible beneficiaries. Administration of the LTSS Trust Program is divided among ESD, DSHS, HCA, OSA, the PFC, and two new bodies: the LTSS Trust Council and the LTSS Trust Commission.

As originally enacted, the legislation imposes premiums on participating employees in the State, collected by employers through employee payroll deductions and remitted to the State; there is no employer contribution required under State law. Collection of premiums was scheduled to begin as of January 1, 2022 and benefits were to become available beginning January 1, 2025. On January 27, 2022, Substitute House Bill 1732 ("SHB 1732") was signed into law, delaying implementation of the WA Cares program by 18 months. Under SHB 1732, collection of premiums is delayed until July 1, 2023 and benefits are to become available beginning July 1, 2026. The delay is intended to provide opportunity for further review and amendment of the law prior to implementation, if necessary.

Premiums are assessed at a rate of 0.58% of each employee's wages within the State, and subject to adjustment every two years by the PFC based on actuarial studies and valuations to be performed by OSA to maintain financial solvency of the LTSS Trust, but not to exceed 0.58%. Employers are required to remit premiums on behalf of all employees other than employees who demonstrate that they have long-term care insurance. There is no employer contribution required under State law. Employees can request to exempt themselves from program participation. As of December 31, 2021, 467,919 exemption requests had been submitted.

Under the originally enacted legislation, all individuals employed in the State may become eligible to receive the benefit when they have paid the LTSS trust premiums while working at least 500 hours per year for either 10 years with at least five years uninterrupted, or three of the last six years. SHB 1732 also provided for partial benefits for certain individuals over age 54. Program participants eligible to receive benefits must have been assessed by DSHS with needing assistance with at least three daily living tasks, must be at least 18 years old (and must not have been disabled before the age of 18), and must reside in the State. There is a lifetime cap on the benefit for any individual equal to 365 benefit units, which are assigned a dollar value adjusted annually at a rate not exceeding the CPI.

Collective bargaining agreements in effect prior to October 2017 are not required to be reopened or to apply the LTSS Trust Program requirements until the existing agreement is reopened, renegotiated, or expires.

Other Commitments and Contingencies

—State-Sponsored Qualified Tuition Programs (529 Plans)

The State sponsors two qualified tuition programs, as authorized by Section 529 of the Internal Revenue Code. The Washington Guaranteed Education Tuition Program (the "GET Program") is a prepaid tuition plan, and the DreamAhead College Investment Plan (the "DreamAhead Plan") is a tuition savings plan.

GET Program. The State's prepaid tuition plan was established in 1998. Under the GET Program, Washington residents (or individuals on behalf of Washington residents) may open individual accounts to prepay college tuition for a beneficiary. These accounts are guaranteed by the State to keep pace with in-State college tuition, based on the highest priced resident undergraduate tuition and State-mandated fees at Washington's public universities. This guarantee creates a contingent liability on the part of the State.

GET Program funds are held in the State Treasury and invested by the WSIB. The WSIB reports that the market value of GET Program assets as of December 31, 2021 was $1.73 billion. In December 2019, the WSIB voted to change the asset allocation of the underlying GET fund from 60% equity/40% fixed income to 40% equity/60% fixed income. This adjustment was made due to the smaller size of the asset base and shift in customer profile following an incentivized rollover period from the GET Program to DreamAhead Plan offered between late 2018 and early 2019. Annually, as of June 30, the OSA measures the GET Program's funded status, which compares the market value of program assets to the present value of future obligations. OSA most recently officially measured the GET Program's funded status to be 166.1% as of June 30, 2021. OSA has stated that the funded status is highly sensitive to short-term changes in tuition growth. In 2021, new legislation passed that limits the future price of GET units to no more than 10% above the then current unit payout value, which is based on in-State tuition rates. This price limit will apply as long as the current State tuition policy remains in effect and GET's funded status remains over 120%. In September 2021, the Committee on Advanced Tuition Payment and College Savings adopted a new GET tuition unit purchase price for State fiscal year 2022 that was lower than the price charged in the previous two fiscal years. Accordingly, the Committee voted to retroactively reduce unit prices for those two years to match the State fiscal year 2022 GET unit price, resulting in additional tuition units for affected customers.

DreamAhead Plan. In 2018, the State began offering the DreamAhead College Investment Plan, a tuition savings plan. Assets in the DreamAhead Plan are managed and invested separately from assets in the GET Program. DreamAhead Plan participant account values are based on the performance of financial markets, rather than changes in tuition. Sumday Administration, LLC (a Vestwell company), and Lockwood Advisors, Inc. (BNY Mellon companies), respectively, provide program management and investment management services for the DreamAhead Plan. The State has no contingent liability for investments in the DreamAhead Plan.

DEMOGRAPHIC AND ECONOMIC INFORMATION

State History and Overview

Washington was admitted to the United States in 1889 as the 42nd state. The State Constitution may be amended by a proposal made by either house of the State Legislature and approved by a two-thirds vote of each house, followed by simple majority approval of the voters of the State. It has been amended 109 times, most recently in 2019 to provide for governmental continuity during emergency periods. The State Constitution may not be amended by initiative. The State Constitution establishes the Executive, Legislative, and Judicial branches of government. State-wide general elections are held on the first Tuesday in November in each even-numbered year. Washington has no term limits on State-wide executive or State legislative elective offices.

Executive. 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. These Executive branch officials are elected at-large to four-year terms at State-wide general elections held in the same years as elections for the President of the United States. Each office is elected independently for a four-year term. Thirty-nine agency heads are appointed by, and report to, the Governor. Seventy-eight agency heads report to boards appointed, in whole or in part, by the Governor.

Legislative. The State Constitution vests legislative authority in the Legislature, reserving to the people the powers of initiative and referendum. The Legislative branch is composed of the Senate (with 49 members) and the House of Representatives (with 98 members). Each of the State's 49 legislative districts elects two representatives and one senator. Senators serve four-year terms, with one-half of the seats open in each general election. Representatives serve two-year terms, with every seat open in each general election. The legislative session convenes each January. Each Biennium consists of one long (105 day) session in odd-numbered years and a short (60 day) session in even-numbered years. The Governor may call an unlimited number of special sessions, each of which is limited to 30 days, and the Legislature itself may call special sessions with a two-thirds vote of the members of each house.

Judicial. The Judicial branch is composed of the State Supreme Court, the highest court in the State, which has nine Justices elected at-large to six-year terms, with three seats open in each general election. A Chief Justice is chosen from among the most senior Justices. The Judicial branch also includes the State's superior courts, justices of the peace, and such inferior courts as the Legislature may provide.

COVID-19 Pandemic Effect on Economic Indicators

The global COVID-19 pandemic, which has negatively impacted State, local, and global economic conditions, has particularly affected many sectors that are significant economic drivers to the State. The statistical information presented in this section should be reviewed with this in mind. *Historical information provided below may not be indicative of future expectations in light of the COVID-19 pandemic. Year-over-year comparisons may be anomalous and should be viewed with particular caution.* See also "SPECIAL INVESTOR CONSIDERATIONS—Global Health Emergency Risk and the COVID-19 Pandemic."

Demographic Information

—Population

The State had an estimated resident population of approximately 7.776 million people as of April 1, 2021. The State's population has increased by more than 15.5% since the 2010 census and by approximately 71,600 people since the 2020 census. Table A-63 shows State population over the last ten years.

Table A-63
State of Washington April 1 Population Estimates

April 1	Population
2012	6,817,770
2013	6,882,400
2014	6,968,170
2015	7,061,410
2016	7,183,700
2017	7,310,300
2018	7,427,570
2019	7,546,410
2020[(1)]	7,705,281
2021	7,776,925

(1) 2020 U.S. Census, resident population.

Source: Office of Financial Management (April 1 Population Estimates Program) and U.S. Census Bureau (2020 U.S. Census).

—Income Characteristics

The U.S. Department of Commerce Bureau of Economic Analysis ("BEA"), the preliminary annual estimates of per capita personal income ("PCPI") and disposable personal income ("DPI") in the State for calendar year 2021, compared to the U.S. as a whole are summarized in Table A-64.

The BEA states that 2021 annual and 2021 fourth-quarter estimates of state personal income reflect the continued economic impacts related to the COVID-19 pandemic. The 2021 annual estimates reflect the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. The fourth quarter estimates reflect an increase in COVID-19 cases resulting in continued restrictions and disruptions in the operations of establishments in some parts of the country. Government assistance payments in the form of forgivable loans to businesses and social benefits to households all decreased as provisions of several federal programs expired or tapered off. The full economic effects of the COVID-19 pandemic cannot be quantified in the state personal income estimates because the impacts are generally embedded in source data and cannot be separately identified. For more information, see "Federal Recovery Programs and BEA Statistics" on the BEA website.

Table A-64
Annual Personal Income Comparisons
(Washington State and the United States)

	Total Personal Income ($ in billions)				Per Capita Personal Income ($ in dollars)	
	Washington		United States			
Calendar Year	**Amount**	**% Change**	**Amount**	**% Change**	**Washington**	**United States**
2012	$ 326.7	8.2%	$ 14,003.3	5.0%	$ 47,320	$ 44,548
2013	333.8	2.2	14,189.2	1.3	47,857	44,798
2014	359.7	7.8	14,969.5	5.5	50,890	46,887
2015	381.2	6.0	15,681.2	4.8	53,083	48,725
2016	401.8	5.4	16,029.7	2.6	54,198	49,613
2017	426.3	6.1	16,845.0	4.7	57,244	51,573
2018	454.3	6.6	17,681.2	5.0	60,178	53,817
2019	479.8	5.6	18,402.0	4.1	62,817	55,724
2020	516.4	7.6	19,607.4	6.6	66,907	59,510
2021	556.3	7.7	21,056.6	7.4	71,889	63,444

Source: U.S. Department of Commerce Bureau of Economic Analysis (last updated: March 23, 2022—preliminary statistics for 2021; revised statistics for 2012-2020).

Key Employment Statistics

Table A-65
Resident Civilian Labor Force and Employment in Washington State
(in thousands)

Calendar years	**2017**	**2018**	**2019**	**2020**	**2021**	**Feb 2022(2)**
Washington State(1)						
Resident Civilian Labor Force in State	3,727.7	3,813.3	3,933.8	3,929.5	3,913.5	4,058.1
State Unemployment	172.9	172.0	169.1	332.7	204.8	190.1
State Unemployment Rate (%)	4.6%	4.6%	4.3%	8.5%	5.2%	4.7%
U.S. Unemployment Rate (%)(3)	4.4%	3.9%	3.7%	8.1%	5.3%	3.8%
Washington State – Nonagricultural Wage and Salary Workers						
Total Nonfarm Employment	3,321.1	3,401.1	3,467.8	3,281.9	3,356.6	3,430.9
Durable Manufacturing	200.3	202.2	206.9	189.7	175.4	178.2
Aerospace Products Parts & Mfr	84.2	83.9	88.6	80.1	67.4	67.1
Computer & Electronic Products Mfr	19.7	19.8	19.8	18.8	17.9	18.3
Nondurable Manufacturing	83.9	85.6	86.8	82.0	83.7	82.1
Mining and Logging	6.2	6.3	5.9	5.6	5.7	5.6
Construction	199.8	213.1	219.5	213.8	223.1	225.0
Trade, Transportation and Utilities	624.6	636.0	642.8	630.1	652.7	658.5
Information	126.3	134.2	144.5	149.0	157.1	162.2
Software Publishers	61.4	65.3	70.4	75.9	79.5	81.6
Financial Activities	154.0	157.7	160.4	158.4	160.6	164.3
Professional and Business Services	413.4	424.3	434.6	425.1	446.8	460.5
Education and Health Services	475.6	490.3	502.4	488.3	495.6	501.8
Leisure and Hospitality	331.5	341.9	347.4	261.7	282.2	309.5
Other Services	119.7	122.2	129.0	116.2	113.1	114.9
Government	585.9	587.3	587.5	562.1	560.5	568.3

(1) Seasonally adjusted; annual data derived from averages of seasonally adjusted monthly data.
(2) Preliminary, seasonally adjusted.
(3) Source: U.S. Bureau of Labor Statistics (as of January 13, 2022).

Source: Washington State Employment Security Department (as of March 29, 2022)

Table A-66
Twenty-Five Largest Employers in Washington (2021)(1)

Employer Name	# Employees in State	Employer Name	# Employees in State
Amazon.com Inc.	80,000	Starbucks Coffee Co.	14,000
Microsoft Corp.	57,666	Swedish Health Services	12,651
The Boeing Company	56,908	Seattle Public Schools	11,685
Joint Base Lewis-McChord	54,000	Alaska Air Group Inc.	9,247
University of Washington Seattle	49,526	Kaiser Permanente	8,153
Providence	43,496	Seattle Children's Foundation	8,000
Wal-Mart Inc.	22,103	T-Mobile US Inc.	8,000
Costco Wholesale Corp.	20,183	Facebook Inc.	7,000
Albertsons Cos. (dba Safeway, Haggen, Albertsons)	20,000	Google Inc.	6,300
MultiCare Health System	18,288	Tacoma Public Schools	4,809
Virginia Mason Franciscan Health	17,762	Evergreen Health	4,500
King County Government	16,441	Vancouver Public Schools	4,347
Fred Meyer Stores	16,144		

(1) Data above published by the Puget Sound Business Journal ("PSBJ") on October 8, 2021, which states that it obtained the information from firm representatives and company websites, and that only those companies that responded to the PSBJ survey or had reliable information available elsewhere were listed.

Source: Puget Sound Business Journal (published October 8, 2021).

Other Significant Economic Drivers and Indicators

—Gross Domestic Product

According to the BEA's March 31, 2022 release, real GDP for the 4th calendar quarter of 2021 for the State increased from the preceding quarter at an annualized rate of 8.3%, compared to 6.9% for the U.S. as a whole. The preliminary estimate of seasonally adjusted current-dollar GDP for the State was approximately $696.7 billion.

The fourth-quarter 2021 and 2021 annual estimates of GDP by state reflect the continued economic impacts related to the COVID-19 pandemic. The fourth-quarter estimates reflect an increase in COVID-19 cases resulting in continued restrictions and disruptions in the operations of establishments in some parts of the country. Government assistance payments in the form of forgivable loans to businesses and social benefits to households all decreased as provisions of several federal programs expired or tapered off. The 2021 annual estimates reflect the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. The full economic effects of the COVID-19 pandemic cannot be quantified in the GDP by state estimates because the impacts are generally embedded in source data and cannot be separately identified. For more information, see "Federal Recovery Programs and BEA Statistics."

—Domestic and International Trade

The State's economy is trade-intensive, serving as an important gateway for trade with Asia and Canada, and for domestic trade with Alaska and Hawaii. Canada, China, and Japan have consistently ranked as the State's three largest export trading partners over the last five years.

Domestic and international trade has been greatly impacted by the COVID-19 pandemic. According to the U.S. Census Bureau Foreign Trade Division data, Washington ranked 8th in the nation in 2021 (compared to 9th in 2020) by dollar value of exports, with approximately $53.6 billion in goods and services exported (compared to $41.3 billion in 2020 and $60.3 billion in 2019). Exports from the State represented 3.1% of all U.S. exports in 2020 (compared to 2.9% in 2020 and 3.7% in 2019). State exports for calendar years 2018 through 2020 are summarized by calendar year in Table A-67. Partial year trade data for 2021, compared to partial year 2020, is shown in Table A-68.

Table A-67
Historical Top Ten Export Markets for Washington State
($ in millions, based on current dollar value; % share of State total exports)

(2021 Rank – Full Year) Top Ten Countries	CY 2018 $	CY 2018 % of total	CY 2019 $	CY 2019 % of total	CY 2020 $	CY 2020 % of total	CY 2021 $	CY 2021 % of total	% change CY 2020 to CY 2021
China	$15,877.5	20.4%	$ 8,987.0	14.9%	$ 9,078.9	22.1%	$ 12,051.2	22.5%	32.7%
Canada	9,273.5	11.9	8,560.8	14.2	6,288.5	15.3	7,709.7	14.4	22.6
Japan	6,090.2	7.8	7,225.5	12.0	4,791.5	11.6	5,232.4	9.8	9.2
South Korea	4,555.7	5.9	2,518.7	4.2	1,892.8	4.6	2,833.8	5.3	49.7
Mexico	2,225.8	2.9	2,526.6	4.2	1,253.6	3.0	2,805.9	5.2	123.8
United Kingdom	4,040.4	5.2	1,858.6	3.1	1,480.0	3.6	1,821.4	3.4	23.1
Philippines	1,444.5	1.9	1,593.3	2.6	1,705.4	4.1	1,803.2	3.4	5.7
Taiwan	2,324.7	3.0	1,802.9	3.0	1,368.3	3.3	1,799.0	3.4	31.5
Ireland	1,819.7	2.3	158.5	0.3	134.7	0.3	1,509.0	2.8	1,020.2
Germany	823.2	1.1	1,761.9	2.9	1,418.1	3.4	1,268.1	2.4	(10.6)
Total Top 10 Countries	**$48,475.2**	**62.3%**	**$36,993.8**	**61.3%**	**$ 29,411.8**	**71.5%**	**$ 38,833.7**	**72.4%**	**32.0%**
Total All Exports	**$77,868.2**	**100.0%**	**$60,341.3**	**100.0%**	**$ 41,140.2**	**100.0%**	**$ 53,644.5**	**100.0%**	**30.4%**

Totals may not add due to rounding.

Source: U.S. Census Bureau, Foreign Trade Division (U.S. Exports by Origin State, Origin of Movement Data Series).

Table A-68
Year-to-Date Comparison of
Top Ten Export Markets for Washington State
($ in millions, current dollars, % share of State total exports)

Rank	(2021 Rank – Full Year) Top Ten Countries(1)	YTD 2021 (January-February) $	YTD 2021 %(2)	YTD 2022 (January-February) $	YTD 2022 %(3)	Year-over-Year Comparison(2) % change
1	China	$ 2,020.2	26.2%	$ 2,499.5	25.5%	23.7%
2	Canada	1,025.5	13.3	1,258.3	12.9	22.7
3	Japan	796.2	10.3	1,033.1	10.6	29.8
4	South Korea	328.4	4.3	361.2	3.7	10.0
5	Mexico	274.4	3.6	411.9	4.2	50.1
6	United Kingdom	509.5	6.6	212.9	2.2	(58.2)
7	Philippines	257.4	3.3	280.4	2.9	8.9
8	Taiwan	353.6	4.6	220.1	2.2	(37.7)
9	Ireland	16.5	0.2	465.3	4.8	2,714.9
10	Germany	92.7	1.2	118.8	1.2	28.2
Top Ten Countries Total		**$ 5,674.3**	**76.1%**	**$ 6,861.4**	**70.1%**	**20.9%**
Total Washington Exports		**$ 7,703.0**	**100.0%**	**$ 9,787.8**	**100.0%**	**30.8%**

Totals may not add due to rounding.

(1) The top ten export markets for January through February 2022 (in order) were: (1) China, (2) Canada, (3) Japan, (4) Ireland, (5) Mexico, (6) South Korea, (7) Philippines, (8) India, (9) Singapore, and (10) Turkey.

(2) Percent change from the period January through February 2021 to the period January through February 2022.

(3) Percent share of total State exports.

Source: U.S. Census Bureau, Foreign Trade Division (USA Trade Online), data available as of April 15, 2022.

Ports. Washington has seven deep-draft ports on Puget Sound, one on the Pacific Coast, and three on the Columbia River. The Port of Seattle and Port of Tacoma, which have functioned cooperatively since 2015 as the Northwest Seaport Alliance ("NWSA"), are the State's largest ports and are closer to Asian ports than any other in the continental United States. The NWSA reports that it is the fourth largest container gateway in North America and handled approximately $66 billion of waterborne trade with 189 trading partners globally in 2020. The NWSA reported container volume of 3.74 million twenty-foot equivalent units (TEUs) for 2021, compared to 3.32 million for the same period in 2020, representing an increase of 12.7% year-over-year in container volume, with the largest increase (41.4% year-over-year) in empty international exports. Domestic volumes grew 8.7% year-over-year. *The comparison period covers a period affected by the global COVID-19 pandemic; year-over-year comparisons may be anomalous and should be reviewed with caution.*

Airports. There are roughly 140 airports in the State, including public-use, commercial, and military airports. Eight of these are international airports, including Seattle-Tacoma International Airport ("SeaTac") and Spokane International Airport. Sixteen small regional airports are managed by the State directly through WSDOT. Paine Field, serving the Seattle metropolitan area and located approximately 23 miles north of downtown Seattle, opened to commercial passenger service in March 2019 with domestic flights currently offered by Alaska Airlines.

SeaTac, owned and operated by the Port of Seattle, is the State's largest and busiest airport and one of the nation's top ten busiest airports. In 2021, it served approximately 32.6 million passengers and logged just under 375,000 takeoffs and landings. This compares to approximately 20 million passengers served in 2020, with less than 300,000 takeoffs and landings, reflecting the impacts of the COVID-19 pandemic during 2020. The average daily number of passengers screened for the week of April 3, 2022 was 50,500, which was up 46% from the same week in 2021, and up 1252% from the same week in 2020. Nearly 36.2 million passengers were reported for 2021, representing an 80.0% increase over the same period in 2020.

SeaTac is home to FedEx and Amazon cargo services. SeaTac reports that total air cargo was up by 0.2% in 2020, reflecting a 15% increase in domestic cargo services (attributed to a rise in e-commerce/express deliveries) and a 33% drop in international cargo (attributed to the drop in international passenger flights, which carry a large portion of goods as belly cargo). For 2020, freighter cargo increased by 17%, while belly cargo (goods transported on passenger flights) decreased by 33%. In January through November 2021, SeaTac reported a 10.66% increase in metric tons of cargo, compared to the same period in 2020.

—Other Significant Industry Sectors

Table A-69
Gross Business Income by Industry Sector (NAICS)(1)
($ in millions, in calendar years)

	CY 2018	CY 2019	CY 2020	Through Q3 2020	Through Q3 2021	% Change (2020 to 2021)
Agriculture, Forestry, Fishing	$ 4,377.8	$ 4,126.3	$ 4,547.6	$ 3,126.4	$ 3,507.8	12.2%
Mining	525.1	593.0	591.5	428.6	406.1	(5.2)
Utilities	15,799.2	16,172.6	16,256.4	11,996.5	13,082.9	9.1
Construction	67,361.6	74,050.9	72,490.6	52,553.9	60,555.2	15.2
Manufacturing (excluding Aerospace)	120,480.9	119,574.6	103,400.1	76,235.1	88,943.8	16.7
Manufacturing (Aerospace only)	88,666.3	72,910.9	32,877.9	22,514.8	33,856.7	50.4
Wholesale Trade	175,827.4	177,197.2	179,575.5	128,082.8	153,861.7	20.1
Retail Trade	160,161.6	164,668.2	176,140.9	126,647.9	150,366.8	18.7
Transportation	15,266.8	15,333.6	14,897.6	9,709.6	11,761.2	21.1
Warehousing and Storage	1,062.0	1,062.9	1,086.4	735.1	867.4	18.0
Information	27,509.1	32,115.3	32,715.1	23,198.0	27,063.9	16.7
Finance, Insurance, Real Estate	56,384.6	57,803.4	63,085.3	44,271.3	49,618.7	12.1
Business, Personal, and Other Services	185,690.6	209,798.4	204,370.0	142,904.8	171,008.8	19.7
Total All Industries	**$ 919,113.0**	**$ 945,407.3**	**$ 902,034.9**	**$ 642,404.7**	**$ 764,901.0**	**19.1%**

(1) North American Industry Classification System.

Source: Department of Revenue (Quarterly Business Reviews for calendar years 2018 through Q3 2021).

Aerospace Industry. The aerospace sector has long been a primary economic driver for the State, anchored by companies such as Boeing, Blue Origin, Honeywell, AIM Aerospace, and many related industry suppliers. A space cluster has a growing presence in the State, including Blue Origin, SpaceX, Spaceflight Inc., Aerojet Rocketdyne, and others. In calendar year 2020, the overseas export of civilian aircraft, engines, and parts comprised the State's largest export category, totaling approximately $8.3 billion, compared to approximately $25.6 billion in 2019, $41.9 billion in 2018 and $42.0 billion in 2017.

Over the last two years, Boeing faced a number of challenges resulting in a reduction of an estimated 31,000 jobs companywide and the consolidation of 787 production outside the State. Nonetheless, in the February 2022 Quarterly Forecast, the ERFC noted that the State's aerospace employment had declined over this period from 89,600 at end of 2019 to a low of 66,800 in June 2021, a loss of 22,700 jobs. During the last half of 2021 the industry added back 1,900 jobs, bringing the level to 68,800 in December 2021, and projected continued positive growth through the remainder of the forecast. The forecast also noted that after more than two years of year-over-year declines, exports of transportation equipment (mostly Boeing planes) increased over the year for a third consecutive quarter, rising 110%.

Forest Products Industry. Forest products, including lumber, paper products, and other wood and pulp products, are a traditional manufacturing sector in the State, which includes roughly 22 million acres of forestland, approximately 47% of which is working forest. According to the State Department of Commerce, more than 1,700 forest products businesses in the State employ approximately 42,000 workers, earning nearly $3 billion in wages annually. The Department estimates that more than 10% of forestry-related jobs are "green," with a growing emphasis on sustainability and stewardship. Weyerhaeuser is the State's largest forest products employer.

Agriculture and Food Processing. According to the State Department of Commerce, the State's food and agriculture sectors support an estimated 164,000 jobs. In 2020, the United States Department of Agriculture ("USDA") National Agriculture Statistical Service tallied 35,500 farms in Washington, with an average size of 411 acres, farming a total of 14.6 million acres of land. Nearly 300 agricultural commodities are produced commercially in Washington. The top ten commodities (by value of production as estimated by USDA) for 2020 included apples, wheat, potatoes, hay, cherries, hops, grapes, blueberries, pears, and corn. Aquaculture and seafood production are also significant segments of this sector. The State is also a leader in premium wine production. The Washington State Wine Commission estimates that there are over 1,050 wineries, over 400 growers, and over 178,500 cases produced annually. The State's agricultural sector is export-oriented.

Information & Communication Technology Sector. Washington State is home to headquarters of Amazon, Microsoft, T-Mobile, F5 Networks, Zillow, and Expedia and hosts engineering offices for Facebook, Google, Twitter, Apple, Salesforce, BestBuy, Alibaba, and eBay. Cloud computing companies with a large presence in the State include Amazon Web Services, Accenture, Dell, Oracle, Microsoft Azure, Google Cloud, HP Enterprise, eXcell, F5 Networks, and Avalara.

Life Science, Global Health, and Biotechnology Sectors. Washington is a global center for the advancement of medicine and life sciences, including research institutions such as the Fred Hutchinson Cancer Research Center, Seattle Cancer Care Alliance, the Allen Institute, University of Washington, and Pacific Northwest National Laboratory. The sector employs nearly 40,000 researchers and support staff at more than 1,150 biotechnology research companies and organizations, medical device and equipment companies, digital health firms, distribution companies, and drug and pharmaceutical firms. The State is also home to some of the leading global health research institutes and nonprofit organizations, including the Bill and Melinda Gates Foundation, PATH, the Center for Global Infectious Disease Research at Seattle Children's Hospital, the Fred Hutchinson Cancer Research Center, and the Allen Institute. The State Department of Commerce estimates that life science employment in the Puget Sound region has increased by more than 17 in recent years and that funding from the National Institutes of Health exceeds $1.0 billion.

Service and Tourism Industries. The State Department of Commerce estimates that the State's tourism sector generates roughly $21 billion annually. There are more than 14,000 hotel rooms in downtown Seattle and nearby venues, and entertainment options include professional football, soccer, baseball, women's basketball, and hockey teams, theatres and music halls, museums, the historic Pike Place Market, the Space Needle, the Seattle Center landmark from the 1962 World's Fair, and the architecturally unique Seattle Public Library. In 2020, reported gross business income from the service sector business activities (including arts, entertainment and recreation; accommodations; restaurants and food service; and drinking places) accounted for nearly $21 billion.

Military and Defense. Washington has six active-duty military installations, a major homeland security installation, two Department of Energy facilities, and two State universities performing defense-related research. Active military bases and installations include Joint Base Lewis-McChord, Naval Base Kitsap, Fairchild Air Base, Naval Air Station Everett, Naval Air Station Whidbey, and National Guard/Camp Murray. According to the Department of Commerce, the State ranks sixth in the nation in number of active-duty military and military installations. Defense-related assets in the aggregate are the second largest public employer in the State, employing more than 127,000 active duty, reserve, guard, and civilian personnel. An estimated 2,000 businesses provide support to the military and defense sector in areas such as energy, biofuels, information and communications technology, cybersecurity, life sciences, and aerospace/unmanned aircraft system technology.

Major Economic Activity Indicators

Taxable Retail Sales. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources—Retail Sales and Use Taxes (Sales Tax)" for information about taxable retail sales.

Construction Statistics. Table A-70 provides annual information on housing permits for the State and the United States.

Table A-70
Housing Units Authorized by Building Permits
in Washington and United States
($ in thousands)

	Washington							
	Single Family		Multi-Family		Total		United States	
Calendar Year	No. Permits	Value ($)	No. Permits	Value ($)	No. Permits	Value ($)	No. Permits	Value ($)
2012	16,508	4,111,968	11,610	1,536,676	28,188	5,648,644	829,658	140,425,307
2013	18,396	4,916,875	14,566	1,767,594	32,962	6,684,469	990,822	177,655,914
2014	17,911	5,000,139	15,994	2,017,040	33,905	7,017,179	1,046,363	194,349,703
2015	19,797	5,645,496	20,577	2,873,363	40,374	8,518,859	1,182,582	223,611,322
2016	22,463	6,477,935	21,614	2,638,404	44,077	9,116,339	1,206,642	237,101,606
2017	23,115	6,793,348	22,679	3,119,248	45,794	9,912,596	1,281,977	258,505,416
2018	23,676	6,950,464	24,070	2,857,516	47,746	9,807,980	1,328,827	271,119,545
2019	23,300	6,850,159	25,124	3,372,896	48,424	10,223,055	1,386,048	280,534,198
2020	23,542	6,846,249	20,339	641,8462,	43,881	9,488,095	1,471,141	307,209,904
2021	24,922	7,400,650	31,247	4,855,807	56,169	12,256,457	1,729,910	375,212,294

Source: U.S. Census Bureau (2021 annual data preliminary).

SPECIAL INVESTOR CONSIDERATIONS

Global Health Emergency Risk and the COVID-19 Pandemic

The ongoing COVID-19 pandemic has negatively affected State, national, and global economic activity. The duration and severity of the outbreak and economic and other actions that may be taken to contain the outbreak or to treat its impact remain uncertain. Uncertainty persists in the State-wide economy and in forecasting the revenues, expenditures, and general financial condition of the State. Reopening and recovery efforts that are implemented at any time may be reversed whenever conditions warrant.

Public Health Orders and Vaccination Requirements for State Workers. Beginning in February 2020, when the Governor declared a state of emergency and activated various State agency emergency response resources and led coordination with local and federal agencies, various public health directives regarding self-isolation and social distancing have been issued and subsequently revised and extended multiple times. Since August 2021, vaccine requirements have been in place with limited exceptions, for State employees and contractors, for employees in K-12, higher education, childcare, and many health care workers State-wide. There is no option for testing as an alternative to vaccination. The State estimated that approximately 92% of all State employees complied with the mandate by the October 2021 deadline.

State Economic and Revenue Impacts. The economic downturn resulting from stay-at-home orders globally was unprecedentedly rapid. Actions taken by the State, federal, and local agencies to provide relief (including expansions of unemployment benefits, medical insurance enrollments and benefits, business loan programs, eviction moratoria, and tax payment deadline extensions, among others) resulted in increased costs to the State and local governments, a portion of which has been or is expected to be reimbursed with federal aid. The State also experienced reductions to many of its largest General Fund–State revenue sources as an immediate result of the economic shutdown. Declines in motor vehicle traffic also negatively impacted revenue from tolls, ferry fares, and Motor Vehicle Fuel Taxes ("MVFT").

Federal COVID-Relief Funding. To alleviate economic impacts of the pandemic, Congress has passed several federal relief packages, including the CARES Act, the Families First Coronavirus Response Act, CRRSA Act, and, most recently, ARPA. The State expects to receive more than $10.6 billion in funding under ARPA. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources—*Other General Fund Revenue Sources—Federal COVID-Relief Funding*."

Risks Related to the U.S. and Global Economies and Geopolitical Uncertainty

The State's economy is heavily trade-dependent and export-oriented. While these factors do not directly impact State revenues, adverse effects on the State's economy could generally have a negative effect on State revenues. Geopolitical uncertainty and conflict can negatively affect the State's economy, as can the global supply chain disruptions that have been experienced as a result of the COVID-19 pandemic. Foreign trade and federal trade policy particularly affect State exports in the agricultural sector. Exports to several of the State's top export markets are currently being affected by current events. See "STATE BUDGETING AND FORECASTING—Current Budgets—*Summary of Most Recent Economic and Revenue Forecast*" and "DEMOGRAPHIC AND ECONOMIC INFORMATION—Other Significant Economic Drivers and Indicators— *Domestic and International Trade*."

Federal Funding

Federal Policy Risk – In General. Federal policies on trade, immigration, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in reductions to the State's level of federal funding for a variety of social services, health care, public safety, transportation, public health, and other federally funded programs. The State has from time to time been a party to multiple lawsuits challenging policies and/or funding conditions that could negatively impact the State. The State cannot predict future changes in federal policy or the potential impact on any related federal funding the State may or may not receive in the future.

Grant Funding Conditions. The State receives federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. Entitlement to this assistance is generally conditioned upon compliance with the terms of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the State.

Federal Shutdown Risk. Federal government shutdowns have occurred in the past and could occur in the future. A lengthy federal government shutdown poses potential direct risks to the State's receipt of revenues from federal sources and could have indirect impacts due to the shutdown's effect on general economic conditions. The State has not experienced material adverse impacts from the federal government shutdowns that have occurred in the past. However, the State can make no assurances that it would not be materially adversely affected by any future shutdown of the federal government.

Sequestration. The sequestration provisions of the Budget Control Act of 2011 ("Sequestration") have been in effect since 2013. This results in a slight reduction in the expected subsidy in respect of certain Build America Bonds issued by the State. Since Sequestration began, rates have ranged from 8.7% in the federal fiscal year ended September 30, 2013 to 5.7% in the federal fiscal year 2021. Sequestration is currently scheduled to continue at a rate of 5.7% through federal fiscal year 2030. The State does not expect Sequestration to materially adversely affect its ability to make debt service payments in the current or future years.

Natural Disasters and Other Emergencies

Natural disasters (including earthquakes, volcanic eruptions and lahars, tsunamis, seismic seiches, mudslides, wildfires and forest fires, heat waves, floods, windstorms, droughts, and avalanches) and future global health emergencies are possible. The loss of life and property damage that could result from a major earthquake, natural disaster, or global health emergency could have a material and adverse impact on the State and its economy and financial condition.

Wildfire and Forest Fire Risk. The State has experienced large wildfire seasons during the past several years and air quality across the State has been negatively impacted during large wildfire events occurring outside the State. Warmer and drier summer conditions mean increased wildfire risk and current climate change modeling indicates these conditions are likely to continue in the decades ahead. Rising temperatures, more frequent and longer lasting heat waves, and drier summers are expected to contribute to larger, more severe wildfires. Wildfires threaten the State's health, economy, and environment by causing unhealthy levels of air quality that can cause respiratory problems for some people; threatening infrastructure, homes, property, and agriculture; destroying forestland and its resources; and damaging habitat for wildlife.

Drought Risk. Areas of the State have experienced drought conditions for at least part of the year in each of the last ten years. Drought can lead to a wide range of environmental, social, and economic impacts. Drought can reduce the water availability and quality and can impact agricultural production and critical ecosystem services by contributing to insect outbreaks, increases in wildfire, and altered rates of carbon, nutrient, and water cycling. During drought, decreased water levels, warmer temperatures, and soil runoff can lead to algal growth, lower dissolved oxygen levels, and increased turbidity, posing health risks for human and aquatic life. Drought can cause significant human health outcomes, including decreased drinking water quantity and quality, increased incidence of illness and disease, adverse mental health outcomes, and increased mortality rates. Drought can also impact port and waterway transportation and supply chains, resulting in increased transportation costs. Drought can be a contributing factor to wildfire. Dry, hot, and windy weather combined with dried out (and more flammable) vegetation can increase the probability of large-scale wildfires.

Earthquake Risk. The State is in a region of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. Certain soil types and property in certain areas of the State could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) and could result in landslides following a major earthquake and any aftershocks. The State includes identified geologic faults, including the Cascadia subduction zone beneath the Pacific Ocean, which is thought to be capable of causing extensive damage. The most recent notable earthquake in the State, which measured 6.8 on the Richter scale, occurred in 2001. Areas of the State also could experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States. Over the last several years, some of the State's most significant infrastructure investments have involved the replacement or retrofitting of the infrastructure assets determined by WSDOT to be most vulnerable to earthquake damage (including replacement of the SR-520 Floating Bridges and the Alaskan Way Viaduct, and coordination with the City of Seattle in replacement of the seawall between downtown Seattle and Puget Sound). WSDOT currently has an active Bridge Seismic Retrofit Program to evaluate and mitigate potential risks with bridge structures related to seismic activity. Other State agencies have responsibilities involving earthquake hazard mapping and emergency management preparations.

Volcanic Hazards. The Cascade Range in Western Washington includes five active volcanoes. Four of these are considered a "very high" threat by the U.S. Geological Survey Volcano Hazards Program in its 2018 update to the national volcanic threat assessment. Threat rankings are based on geologic and historical studies of the volcanoes and quantify how likely their eruptions are to impact people and infrastructure; they are not rankings of likelihood of eruption. The list ranks Mount St. Helens and Mount Rainier among the top five most dangerous volcanoes in the country. Mount Baker and Glacier Peak are also ranked as "very high" threats, while Mount Adams is ranked as a "high" threat.

Volcanic hazards include eruptions, pyroclastic flows, volcanic landslides and gas releases, and lahars. Lahars are a type of volcanic risk that can occur at almost any time and they do not need a volcanic eruption. The water that forms lahars can come from snow and ice that were melted by heat from the volcano or from hot pyroclastic flows. The water can also come from intense rain events. When enough water mixes with loose volcanic ash and rock on the side of a volcano, the mixture flows downhill and forms a lahar.

Climate Change Risk

There are potential risks to the State, its economy, and its financial condition that are associated with changes to the climate over time and with increases in the frequency, timing, and severity of extreme weather events or droughts, causing or increasing the severity of drought, extreme weather events, wildfires, flooding, and other natural disasters. Other potential indirect effects include those of climate-related population migration and shifts in economic activities such as fishing, agriculture, and trade. The State cannot predict how or when various climate change risks may occur, nor can it quantify the impact on the State, its population, or its operations. Over time, the costs could be significant and could have a material adverse effect on the State's finances.

The State is preparing for a changing climate and the resulting economic, infrastructure, health, and other impacts by integrating consideration of climate change into decision-making and identifying mitigation and adaptation actions to enhance the resilience of services and infrastructure, including evaluating the effects of major dam removals on the Snake River. Multiple State agencies have been tasked with studying the impacts of climate change on their areas of expertise, including emergency management, fish and wildlife, utilities, transportation, agriculture, commerce, public health, ecology, and others. Among key climate change risks being addressed are those relating to greenhouse gas emissions, ocean acidification, sea level rise, and water supply (including adequacy of water for drinking and irrigation uses, as well as effects on hydroelectric generating capabilities). The State funds and participates in a wide range of monitoring and scientific study and planning efforts in coordination with various local governments, federal agencies, public and private universities, nonprofits, and other private entities.

Since 2019, multiple pieces of legislation have been enacted to address the effects of climate change on the State, including aggressive timelines for decarbonizing Washington's economy, including moving to 100% clean electricity by 2045, a new standard for clean, energy-efficient buildings, more energy efficient appliances, and phasing down the use of hydrofluorocarbons. The State is also taking steps to electrify the State's transportation system, which remains the largest source of greenhouse gas emissions in the State. This includes legislation enacted in 2019 that establishes a state incentive program to make new and used electric vehicles more accessible for consumers of varying incomes, helps utilities make large-scale investments in vehicle charging stations, and creates a new grant program to help transit agencies electrify their fleets. In addition, the State is launching a conversion of its ferry fleet to electric-hybrid, including budget appropriations for new and converted electric-hybrid ferries.

In the 2021 legislative session, the Washington Climate Commitment Act established a cap-and-invest system to limit greenhouse gas emissions and address the disparate impacts of climate change and includes a commitment to achieve net zero carbon emissions by 2050; a Clean Fuels Program was created to limit the aggregate, overall greenhouse gas emissions per unit of transportation fuel energy to 20 percent below 2017 levels by 2038. Other legislation was enacted to reduce greenhouse gas emissions from fluorinated gases by establishing environmental justice priorities; limit certain single-use plastics and establishing post-consumer recycled content requirements; and require businesses to reduce their greenhouse gas emissions from hydrofluorocarbons or fluorinated gases.

In the 2022 legislative session, legislation was enacted to reduce greenhouse gas emissions in buildings; improve energy efficiency in public buildings and utilities; to set emission standards for landfills and to reduce organic material sent to landfills; to provide incentives for renewable energy technology investments; and others. The Move Ahead Washington transportation also contains various provisions intended to reduce transportation sector contributions to climate change and to mitigate impacts.

Cybersecurity and Information Technology

Cybersecurity risks create potential liability for exposure of nonpublic information and could create other operational risks. The State cannot anticipate the precise nature of any particular breach or the resulting consequences. Cybersecurity threats continue to become more sophisticated and are increasingly capable of impacting the confidentiality, integrity, and availability of State systems and applications, including those of critical controls systems.

WaTech, through its Office of the Chief Information Officer ("OCIO") and the State Office of Cybersecurity ("OCS"), works with various state departments to institute processes, training, and controls to maintain the reliability of its systems and protect against cybersecurity threats, as well as mitigate intrusions and plan for business continuity via data recovery. OCS is responsible for establishing and monitoring State-wide information technology security standards. These standards are aligned with the National Institute of Standards and Technology (NIST) 800-53. Among other things, these standards require agencies to apply appropriate security controls, maintain an agency information technology security program and promptly apply patches to address known vulnerabilities. OCS makes cybersecurity awareness training available to all State employees through the State's learning management system, which includes topics such as phishing, sensitive data protection and email security. Training sessions and informational material also are provided to address emergent threats such as ransomware and educate agencies on what they can do to identify threats and harden their systems against successful infiltration.

OCS also provides the following services for State agencies:

- *Security Operations Center*: The Security Operations Center identifies, assesses and blocks malicious cyber activity and attacks to safeguard state information. The team monitors the network for cyber threats, uses perimeter security devices to mitigate attacks, analyzes threats and then alerts state agencies.

- *Computer Incident Response Team*: During a security event, the Computer Incident Response Team provides skilled experts to help State government agencies quickly respond to an incident, minimizing impact.
- *Security Design and Review*: The Security Design Review team ensures state IT projects are deployed with an acceptable level of risk based on State security standards and architecture. Reviews are performed for projects based on criteria defined in the state IT security standard OCIO 141.10.

Cybersecurity Insurance Coverage. The State maintains $5 million in cybersecurity insurance policy coverage. See "INVESTMENTS, FINANCIAL POLICIES, AND RISK MANAGEMENT—Risk Management—Cybersecurity Insurance Coverage."

Bankruptcy-Related Risks

The State is not eligible to file for protection under the federal bankruptcy laws. For a discussion of the risk to the State in the event of bankruptcy of a local government participant in the State-wide retirement systems, see "EMPLOYEES, BENEFITS AND RETIREMENT SYSTEMS—Retirement Systems—Additional Information—*Risk of Bankruptcy of Participating Local Government*."

Ballot Measures

Under the State Constitution, the voters of the State have the ability to propose referenda to modify, approve, or reject all or a part of recently enacted legislation or propose ballot initiatives to initiate legislation directly. Referenda can be required on recently-enacted legislation through a petition of the voters, or a referendum on new legislation may be required by the Legislature itself. Initiatives are new legislation proposed to the Legislature or for voter approval by petition of the voters. The State Constitution may not be amended by initiative or referendum. Any initiative or referendum approved by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the relevant statute is subject to amendment or repeal by the Legislature by a simple majority vote.

From time to time, State-wide referendum and initiative petitions to repeal or reduce the growth of taxes and fees receive sufficient signatures to meet these thresholds. Some petitions have been approved and, of those, some remain in effect while others have been invalidated by the courts after approval. Tax and fee ballot measures are filed regularly, but it cannot be predicted whether any other such measures might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Referenda. There are two types of referenda: (1) referendum bills and (2) referendum measures. Referendum bills are proposed laws referred to the voters by the Legislature. Referendum measures are laws recently passed by the Legislature that are placed on the ballot because of petitions signed by voters. The State Constitution requires that a petition for a referendum measure contain a number of signatures from registered voters at least equal to 4% of all votes cast for Governor in the most recent gubernatorial election in the State.

Initiatives. The State Constitution requires an initiative petition to contain a number of signatures at least equal to 8% of all votes cast for Governor in the most recent gubernatorial election in the State. There are two types of initiatives: (1) initiatives to the people and (2) initiatives to the Legislature. If certified to have sufficient signatures, initiatives to the people are submitted for a vote of the people at the next State general election. If certified to have sufficient signatures, initiatives to the Legislature are submitted to the Legislature at its next regular session. The Legislature is required to adopt the initiative, reject the initiative or approve an alternative to the initiative. The latter two options require that the initiative or the initiative and the Legislature's alternative be placed on the ballot.

Litigation

The State and its agencies are parties to numerous routine legal proceedings that occur as a consequence of regular government operations. At any given point, there are numerous lawsuits involving State agencies which could, depending on the outcome of the litigation or the terms of a settlement agreement, impact revenue or expenditures of the State. There are risk management funds reserved by the State for certain claims, and self-insurance and excess insurance is available for claims involving injury and damages. See "INVESTMENTS, FINANCIAL POLICIES, AND RISK MANAGEMENT—Insurance Coverage & Risk Management—*Insurance*." There has been a trend in recent years of higher jury verdicts for certain types of damage claims.

The following describes only those matters that are pending and have been identified by the State as potentially having a significant fiscal impact on General Fund–State revenues or expenditures or on pledged MVFT or VRF revenues. The State's disclosure policies and procedures, which are subject to periodic review and revision, address its internal guidance for determining the level of fiscal impact that is deemed significant for this purpose.

—WSDOT-Related Litigation

AWVR Program. There are currently two lawsuits underway relating to the Alaskan Way Viaduct Replacement Program. See "TRANSPORTATION REVENUES AND EXPENDITURES—Major Transportation-Related Expenditures—*Significant Transportation Capital Plan Projects*."

- The first, which was initiated in King County by Seattle Tunnel Partners, a private contractor joint venture ("STP"), against one of its insurance carriers, focuses on potential recovery under the project's builders risk insurance policy. WSDOT is also a plaintiff in the King County case. Trial in this case, originally set for 2019, has been continued indefinitely pending the resolution of an appeal of several motions for summary judgment. The decisions on appeal involve (i) the application of certain policy exclusions, (ii) whether the tunnel boring machine was damaged by one or more "occurrences," and (iii) whether the State's claims constitute uncovered "delay" damages. In August of 2021, the Court of Appeals reversed in part the trial court's decision to grant summary judgment in favor of the Insurers. The Washington Supreme Court granted the plaintiffs' petition for review. The timeline for resolution of the Supreme Court proceedings is unknown at this time but will likely be sometime during the spring of 2023.
- The second lawsuit, which was initiated by WSDOT against STP in Thurston County, addresses costs and delays resulting from the damage and repair of the tunnel boring machine during 2014 and 2015. STP has counterclaimed against WSDOT for both itself and its subcontractors, for increased compensation and time related to the tunnel boring machine repair. Following a trial, the court entered a judgment of $57.2 million in favor of WSDOT. STP has filed an appeal. The timeline for resolution of this appeal is unknown at this time, but a decision from the Court of Appeals will likely be issued in the spring of 2022. The decision by the Court of Appeals can, and likely will, be appealed to the Washington Supreme Court. Third party claims brought by STP against TBM's manufacturer, Hitachi Zozen USA, were settled on the eve of trial for a confidential undisclosed sum.

—Human Services Related Litigation

In addition to the regular damages claims, the State is the defendant in a number of cases alleging inadequate funding of State programs or services. Claims include inadequate funding for the provision of daily personal care or medical and mental health services to children, the elderly, and the disabled. Adverse rulings in some of these cases could result in significant future costs.

In *SEIU 775 v. DSHS* and *SEIU 775 v. State, et al.*, both brought in Thurston County Superior Court, the plaintiff labor organization sought on behalf of certain of its members to invalidate certain administrative rules and seeks damages and injunctive relief relating to DSHS's calculation of in-home personal care services benefits for Medicaid beneficiaries. The plaintiff represents approximately 35,000 long-term care workers who provided or provide personal care services to DSHS clients pursuant to contracts with DSHS. In *SEIU v. State*, the plaintiff alleged that the challenged rules violated certain State and federal wage laws and that DSHS's implementation of those rules violated the plaintiff's members' contracts with DSHS. The parties entered into a settlement agreement under which the state agreed to eliminate some rules and make changes to others, with the effect of eliminating certain reductions to in-home personal care services hours starting in 2021.

In the damages action, *SEIU 775 v. DSHS*, the plaintiff has not specified an amount of alleged damages but, given the number of long-term care workers whose interests are alleged to have been affected, there can be no assurance that the amount that plaintiff ultimately seeks will not be significant. The State disputes the plaintiff's allegations and intends to vigorously defend against the claims. The trial court granted summary judgment in favor of the State on all claims. The plaintiff has appealed certain decisions of the trial court, and the appeal is pending.

Following the trial court's decision in *SEIU 775 v. DSHS*, some long-term care workers filed a separate suit, *Liang v. DSHS, et al*., in Thurston County Superior Court. In this putative class action, the plaintiffs assert a damages claim virtually identical to the one that the court addressed in *SEIU 775 v. DSHS*.

The parties have reached tentative settlements in the *Liang* and *SEIU 775* cases and the Legislature has appropriated funds to be applied toward meeting the settlement conditions for each case pending final court approval of each settlement.

—Tax Litigation

DOR routinely has claims for refunds or exemptions in various stages of administrative and legal review. An adverse ruling could result in additional claims being brought by similarly situated taxpayers.

Financial Institutions Tax. During the 2019 legislative session, an additional B&O tax, referred to as the Financial Institutions Tax, was enacted with a January 1, 2020 effective date. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources—*Business and Occupations Tax (B&O Tax)—Financial Institutions Tax*." Subsequently, two banking associations filed an action in King County Superior Court alleging certain technical infirmities in the legislative process under the State constitution and alleging a violation of the commerce clause of the U.S. Constitution. The court entered an order granting the plaintiffs' motion for summary judgment and declaring the tax law invalid and unenforceable because it discriminates in purpose and effect in violation of the commerce clause. Following the State's appeal, on September 30, 2021 the State Supreme Court reversed the trial court and upheld the constitutionality of the tax. On January 28, 2022, the banking associations filed a petition for a writ of certiorari in the United States Supreme Court. The state defendants' response to the petition is due on May 4, 2022.

Capital Gains Tax. In *Quinn, et al. v. State of Washington, et al.* and *Clayton, et al. v. State of Washington, et al.*, which have been consolidated, plaintiffs have challenged Engrossed Substitute Senate Bill 5096 ("Senate Bill 5096") on state and federal constitutional grounds. Enacted during the 2021 Legislative session, Senate Bill 5096 imposes a capital gains tax on the sale or other voluntary transfer of long-term capital assets beginning in 2022. See "GENERAL FUND AND NEAR GENERAL FUND REVENUES AND EXPENDITURES—Major General Fund Revenue Sources—*Other Near General Fund–State Sources–Capital Gains Tax.*" Plaintiffs in the consolidated suits seek a declaration that Senate Bill 5096 is void and seek an injunction against the assessment and collection of the tax and other enforcement of the law. The parties filed cross-motions for summary judgment, and on March 22, 2022, the Douglas County Superior Court entered an order granting the Plaintiffs' motion for summary judgment and declaring that the capital gains tax is unconstitutional. The state defendants have appealed this decision to the Washington Supreme Court, and their opening brief is due May 16, 2022.

—Other Miscellaneous Litigation

Employee Benefits Suits. DRS is a defendant in a number of lawsuits alleging denial or miscalculation of benefits. The State is contesting these lawsuits and the outcomes are uncertain at this time. Moreover, the collective impact of these claims is not likely to have a material impact on State revenues or expenditures. See also Note 15 in Appendix D—THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS.

APPENDIX B

BONDS OUTSTANDING

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Debt Authorization and Outstanding Debt
Various Purpose General Obligation Bonds
(in $; as of April 1, 2022)

Subject to Constitutional Debt Limitation

Chapter and Laws			Bonds Authorized	Issued [1]	Bonds Outstanding [1]	Unissued [2]
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2012C)	733,705,000	733,705,000	546,055,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2013A)	352,220,000	352,220,000	229,550,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2013C)	666,680,000	666,680,000	401,115,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015A)	420,085,000	420,085,000	248,105,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015C)	615,975,000	615,975,000	461,865,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015E)	451,045,000	451,045,000	338,220,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015G)	113,315,000	113,315,000	78,445,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2016A)	188,305,000	188,305,000	54,050,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2016B)	525,610,000	525,610,000	457,745,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2017A)	524,950,000	524,950,000	404,135,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2017C)	137,100,000	137,100,000	68,785,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2018A)	27,290,000	27,290,000	6,070,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2018C)	708,035,000	708,035,000	656,640,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2018D)	489,130,000	489,130,000	483,895,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2020A)	91,360,000	91,360,000	63,755,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2020C)	222,045,000	222,045,000	173,465,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2021B)	101,135,000	101,135,000	61,890,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2021C)	164,065,000	164,065,000	164,065,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2022A)	132,980,000	132,980,000	132,980,000	-
Ch. 14	--	Laws of 1989, 1st Ex. Sess., as amended	512,535,000	512,535,000	815,000	-
Ch. 17	--	Laws of 1995, 2nd Sp. Sess., as amended	424,401,667	424,401,667	31,185,000	-
Ch. 456	--	Laws of 1997, Reg. Sess.	18,340,000	18,340,000	1,245,000	-
Ch. 147	--	Laws of 2003, Reg. Sess.	107,525,000	69,475,000	26,125,000	38,050,000
Ch. 167	--	Laws of 2006, Reg. Sess.	160,330,000	136,660,000	81,065,000	23,670,000
Ch. 179	--	Laws of 2008, Reg. Sess.	46,030,000	44,240,000	42,065,000	1,790,000
Ch. 6	--	Laws of 2009, Reg. Sess.	42,535,000	33,860,000		8,675,000
Ch. 498	--	Laws of 2009, Reg. Sess.	327,310,000	327,310,000	27,745,000	-
Ch. 49	--	Laws of 2011, 1st Sp. Sess	863,520,000	863,520,000	758,340,000	-
Ch. 1	--	Laws of 2012, 1st Sp. Sess	427,065,000	427,065,000	372,740,000	-
Ch. 20	--	Laws of 2013, 2nd Sp. Sess	1,747,715,000	1,747,715,000	1,386,620,000	-
Ch. 37	--	Laws of 2015, 3rd Sp. Sess	1,948,915,000	1,948,915,000	1,788,240,000	-
Ch. 3	--	Laws of 2018, Reg. Sess.	2,672,030,000	2,397,240,000	2,280,045,000	274,790,000
Ch. 414	--	Laws of 2019, Reg. Sess.	3,200,926,000	1,218,220,000	1,191,435,000	1,982,706,000
Ch. 331	--	Laws of 2021, Reg. Sess.	3,971,290,793	462,350,000	462,350,000	3,508,940,793
		Subtotal	**23,135,498,460**	**17,296,876,667**	**13,480,845,000**	**5,838,621,793**

Excluded from Constitutional Debt Limitation			Authorized	Issued	Outstanding	Unissued
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015E)	7,715,000	7,715,000	6,585,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2016B)	3,220,000	3,220,000	2,755,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2017A)	6,330,000	6,330,000	5,630,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2018C)	34,610,000	34,610,000	33,435,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2018D)	12,415,000	12,415,000	12,340,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2021B)	3,845,000	3,845,000	1,970,000	-
Ch. 179	--	Laws of 2008, Reg. Sess.	26,340,000	25,585,000	3,750,000	755,000
		Subtotal	**94,475,000**	**93,720,000**	**66,465,000**	**755,000**
Total			**23,229,973,460**	**17,390,596,667**	**13,547,310,000**	**5,839,376,793**

Notes:

(1) Does not include the bond offering expected to be issued and delivered on May 11, 2022 (Series R-2022C). Includes the Series R-2022C Refunded Bonds.

(2) Does not include bonds authorized under a bond act which are unissuable because all required deposits or transfers under that act have been completed.

Debt Authorization and Outstanding Debt
General Obligation Bonds Pledging MVFT and VRF, and Limited Obligation Bonds
(in $; as of April 1, 2022)

Chapter and Laws			Authorized	Issued[1]	Outstanding[1]	Unissued
Motor Vehicle Fuel Tax Revenue (including SR 520 Triple Pledge Bonds)						
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2012D)	271,055,000	271,055,000	187,595,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2013B)	380,390,000	380,390,000	226,980,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2013D)	159,405,000	159,405,000	131,600,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015B)	420,545,000	420,545,000	238,685,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015D)	301,755,000	301,755,000	256,235,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015F)	147,325,000	147,325,000	120,650,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2015H)	132,745,000	132,745,000	132,745,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2016C)	143,735,000	143,735,000	127,805,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2017B)	271,585,000	271,585,000	241,550,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2017D)	24,505,000	24,505,000	9,510,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2018B)	29,305,000	29,305,000	8,180,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2020B)	53,105,000	53,105,000	36,970,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2020D)	188,690,000	188,690,000	143,750,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2021A)	396,315,000	396,315,000	396,315,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2021D)	191,610,000	191,610,000	190,480,000	-
Ch. 138	--	Laws of 1965, Ex. Sess. (R-2022B)	133,400,000	133,400,000	133,400,000	-
Ch. 83	--	Laws of 1967, 1st Ex. Sess	98,395,000	55,825,000	-	42,570,000
Ch. 293	--	Laws of 1990, Reg. Sess.	15,000,000	13,400,000	-	1,600,000
Ch. 431	--	Laws of 1993, Reg. Sess., as amended	340,625,000	134,512,709	36,233,320	206,112,291
Ch. 432	--	Laws of 1993, Reg. Sess.	81,280,000	6,085,000	-	75,195,000
Ch. 440	--	Laws of 1993, Reg. Sess.	31,660,000	24,150,000	-	7,510,000
Ch. 15	--	Laws of 1995, 2nd Sp. Sess	11,200,000	4,990,000	-	6,210,000
Ch. 321	--	Laws of 1998, Reg. Sess.	1,127,890,000	1,097,396,712	385,115,618	30,493,288
Ch. 147	--	Laws of 2003, Reg. Sess.	1,754,580,000	1,542,088,877	845,422,746	212,491,123
Ch. 315	--	Laws of 2005, Reg. Sess.	4,442,200,000	3,256,093,336	2,437,288,023	1,186,106,664
Ch. 498	--	Laws of 2009, Reg. Sess.[2]	389,985,000	135,445,000	79,815,000	254,540,000
		Subtotal	**11,538,285,000**	**9,515,456,634**	**6,366,324,707**	**2,022,828,366**
Motor Vehicle Fuel Tax and Vehicle-Related Fee Revenue						
Ch. 45	--	Laws of 2015, 3rd Sp. Sess.	5,300,000,000	930,075,000	915,495,000	4,369,925,000
Ch. 421	--	Laws of 2019, Reg. Sess.[3]	1,160,000,000	-	-	1,160,000,000
Ch. 421	--	Laws of 2019, Reg. Sess.[4]	340,000,000	-	-	340,000,000
		Subtotal	**6,800,000,000**	**930,075,000**	**915,495,000**	**5,869,925,000**
Pledged Federal Aid (GARVEE Bonds)						
Ch. 498	--	Laws of 2009, Reg. Sess.[2]	786,315,000	786,315,000	277,135,000	-
		Subtotal	**786,315,000**	**786,315,000**	**277,135,000**	**-**
TIFIA Bond						
Ch. 498	--	Laws of 2009, Reg. Sess.[2]	300,000,000	300,000,000	285,394,467	-
		Subtotal	**300,000,000**	**300,000,000**	**285,394,467**	**-**
Total			**19,424,600,000**	**11,531,846,634**	**7,844,349,174**	**7,892,753,366**

(1) Does not include the bond offering expected to be to be issued and delivered on May 11, 2022 (Series R-2022D). Includes the Series R-2022D Refunded Bonds.

(2) Pursuant to Chapter 498, Laws of 2009, the Legislature authorized the issuance and sale of $1,950,000,000 of general obligation bonds of the State first payable from toll revenue from SR-520 and then State MVFT revenue. Chapter 498, Laws of 2009 also authorizes the State Finance Committee to issue the authorized bonds as SR-520 toll revenue bonds payable solely from SR-520 toll revenue and not as general obligation bonds.

(3) Pursuant to Chapter 421, Laws of 2019, the Legislature authorized the issuance and sale of $1,160,000,000 of general obligation bonds of the State first payable from toll revenue from the I-405 and SR-167 Express/Toll Lanes (the "405/167 ETL Facility") and then from State MVFT and VRF revenue.

(4) Pursuant to Chapter 421, Laws of 2019, the Legislature authorized the issuance and sale of $340,000,000 of general obligation bonds of the State first payable from toll revenue from the I-405 and SR-167 Express/Toll Lanes (the "Puget Sound Gateway Toll Facility") and then from State MVFT and VRF revenue.

Total Outstanding	Authorized	Issued	Outstanding	Unissued
Grand Total	**42,654,573,460**	**28,922,443,300**	**21,391,659,174**	**13,732,130,159**

APPENDIX C

PROPOSED FORMS OF LEGAL OPINIONS

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[FORM OF APPROVING LEGAL OPINION]

State of Washington
c/o State Finance Committee
Olympia, Washington

We have served as bond counsel in connection with the issuance by the State of Washington (the "State") of the bonds described below (the "Bonds"):

$860,680,000
STATE OF WASHINGTON
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS, SERIES R-2022C
DATED MAY 11, 2022

The Bonds are issued pursuant to Chapters 39.42 and 39.53 RCW (collectively, the "Refunding Bond Act"), Resolution No. 1249 of the State Finance Committee (the "Committee") of the State adopted on July 14, 2021, and Resolution No. 1258 of the Committee acting by and through the State Treasurer adopted on April 26, 2022 (collectively, the "Bond Resolution"), and other proceedings duly had and taken in conformity therewith. The Bonds are issued for the purpose of providing funds with which to pay the cost of refunding certain outstanding various purpose general obligation bonds of the State to provide a debt service savings to the State and to pay the administrative costs of such refunding and the costs of issuance and sale of the Bonds. Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the State contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the State is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The State has covenanted in the Bond Resolution to comply with those requirements, but if the State fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the State's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The Bonds are lawfully authorized and issued pursuant to and in full compliance with the Constitution and statutes of the State, including the Refunding Bond Act.

2. The Bonds have been legally issued and constitute valid general obligations of the State, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The State has lawfully and unconditionally pledged its full faith, credit and taxing power to pay principal of and interest on the Bonds.

4. Assuming compliance by the State after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal, state or local tax consequences of receipt of interest on the Bonds.

The State has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

[FORM OF APPROVING LEGAL OPINION]

State of Washington
c/o State Finance Committee
Olympia, Washington

We have served as bond counsel in connection with the issuance by the State of Washington (the "State") of the bonds described below (the "Bonds"):

$499,700,000
STATE OF WASHINGTON
MOTOR VEHICLE FUEL TAX GENERAL OBLIGATION REFUNDING BONDS,
SERIES R-2022D
DATED MAY 11, 2022

The Bonds are issued pursuant to Chapters 39.42 and 39.53 RCW (collectively, the "Refunding Bond Act"), Resolution No. 1249 of the State Finance Committee (the "Committee") of the State adopted on July 14, 2021, and Resolution No. 1259 of the Committee acting by and through the State Treasurer adopted on April 26, 2022 (collectively, the "Bond Resolution"), and other proceedings duly had and taken in conformity therewith. The Bonds are issued for the purpose of providing funds with which to pay the cost of refunding certain outstanding motor vehicle fuel tax general obligation bonds of the State to provide a debt service savings to the State and to pay the administrative costs of such refunding and the costs of issuance and sale of the Bonds. Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the State contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the State is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The State has covenanted in the Bond Resolution to comply with those requirements, but if the State fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the State's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The Bonds are lawfully authorized and issued pursuant to and in full compliance with the Constitution and statutes of the State, including the Refunding Bond Act.

2. The Bonds have been legally issued and constitute valid general obligations of the State, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The State has lawfully and unconditionally pledged its full faith, credit and taxing power to pay principal of and interest on the Bonds.

4. The Bonds are first payable from State excise taxes on motor vehicle and special fuels and are secured by charges on such taxes as set forth in the Bonds and the Bond Resolution. The State has covenanted that it will continue to levy such taxes in amounts sufficient to pay when due the principal of and interest on the Bonds.

5. Assuming compliance by the State after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal, state or local tax consequences of receipt of interest on the Bonds.

The State has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX D

THE STATE'S 2021 AUDITED FINANCIAL STATEMENTS

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Honorable Jay Inslee
State of Washington
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business- type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, the Local Government Investment Pool, the University of Washington, or the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Revenues / Additions
Governmental Activities	13.7%	25.9%	8.4%
Business-Type Activities	81.0%	100.0%	19.8%
Higher Education Special Revenue Fund	46.7%	52.7%	49.3%
Higher Education Endowment Fund	97.5%	97.5%	97.2%
Higher Education Student Services Fund	71.8%	100.0%	86.1%
Workers' Compensation Fund	97.6%	100.0%	35.2%
Aggregate Discretely Presented Component Units and Remaining Fund Information	96.9%	96.1%	34.8%

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities and funds listed above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $73.7 billion, which comprise 34.8 percent of the total assets and 38.1 percent of the net position of the aggregate discretely component units and remaining fund information. The fair values of those investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2021, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements as a whole. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated December 21, 2021, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

December 21, 2021

MD&A

Management's Discussion and Analysis

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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, 2021. 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 $28.63 billion (reported as net position). Of this amount, $(13.40) 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 $24.15 billion, an increase of 21.7 percent compared with the prior year.

- The state's capital assets increased by $700.2 million, total bond debt increased by $998.0 million, and the state's net investment in capital assets is $24.76 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 three 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, and the Higher Education Endowment 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 Washington State Public Stadium Authority, and the Health Benefit Exchange, as well as four 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 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
ASSETS						
Current and other assets	$ 39,044	$ 34,275	$ 30,252	$ 30,017	$ 69,296	$ 64,292
Capital assets	43,541	42,829	3,416	3,428	46,957	46,257
Total assets	82,585	77,104	33,668	33,445	116,253	110,549
DEFERRED OUTFLOWS OF RESOURCES	2,184	2,025	421	308	2,605	2,333
LIABILITIES						
Current and other liabilities	8,713	8,305	1,355	1,256	10,068	9,561
Long-term liabilities outstanding	36,699	36,241	40,184	38,289	76,883	74,530
Total liabilities	45,412	44,546	41,539	39,545	86,951	84,091
DEFERRED INFLOWS OF RESOURCES	2,887	3,317	391	393	3,278	3,710
NET POSITION						
Net investment in capital assets	23,934	23,337	825	863	24,759	24,200
Restricted	14,862	11,757	2,405	3,572	17,267	15,329
Unrestricted	(2,326)	(3,828)	(11,071)	(10,620)	(13,397)	(14,448)
Total net position	$ 36,470	$ 31,266	$ (7,841)	$ (6,185)	$ 28,629	$ 25,081

Note: The 2020 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2020 amounts was not available. Refer to Note 2 Accounting and Reporting Changes.

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 $28.63 billion at June 30, 2021, as compared to $25.08 billion as reported at June 30, 2020.

The largest portion of the state's net position (86.5 percent for fiscal year 2021 as compared to 96.5 percent for fiscal year 2020) 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 (60.3 percent for fiscal year 2021 as compared to 61.1 percent for fiscal year 2020) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(13.40) 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 $31.27 billion in fiscal year 2020 to $36.47 billion in fiscal year 2021. The increase reflects increases in investment earnings, federal funding, and tax revenues that outpaced the increases in expenses.

In business-type activities, the deficit is caused by unemployment compensation paying out an unprecedented amount of unemployment claims due to COVID-19; in addition, claims expense continued to outpace associated premiums in both the health insurance program and the workers' compensation program that provides time-loss, medical, disability, and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities. The main benefit plans of the workers' compensation program are funded

on rates that will keep the plans solvent in accordance with recognized actuarial principles

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

Changes in Net Position

(in millions of dollars)

	Governmental Activities 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
REVENUES						
Program revenues:						
Charges for services	$ 7,649	$ 6,704	$ 12,304	$ 11,502	$ 19,953	$ 18,206
Operating grants and contributions	24,930	18,495	9,529	4,814	34,459	23,309
Capital grants and contributions	648	819	1	—	649	819
General revenues:						
Taxes	30,334	27,535	17	20	30,351	27,555
Interest and investment earnings (loss)	1,541	507	1,640	2,128	3,181	2,635
Total revenues	65,102	54,060	23,491	18,464	88,593	72,524
EXPENSES						
General government	(3,769)	(2,143)	—	—	(3,769)	(2,143)
Education - K-12	(15,322)	(14,715)	—	—	(15,322)	(14,715)
Education - Higher education	(8,472)	(8,303)	—	—	(8,472)	(8,303)
Human services	(25,818)	(21,633)	—	—	(25,818)	(21,633)
Adult corrections	(1,247)	(1,264)	—	—	(1,247)	(1,264)
Natural resources and recreation	(1,540)	(1,384)	—	—	(1,540)	(1,384)
Transportation	(2,757)	(2,701)	—	—	(2,757)	(2,701)
Interest on long-term debt	(1,073)	(1,063)	—	—	(1,073)	(1,063)
Workers' compensation	—	—	(4,505)	(6,387)	(4,505)	(6,387)
Unemployment compensation	—	—	(11,939)	(7,494)	(11,939)	(7,494)
Higher education student services	—	—	(3,166)	(3,431)	(3,166)	(3,431)
Health insurance	—	—	(3,556)	(2,457)	(3,556)	(2,457)
Other business-type activities	—	—	(1,851)	(1,266)	(1,851)	(1,266)
Total expenses	(59,998)	(53,206)	(25,017)	(21,035)	(85,015)	(74,241)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	5,104	854	(1,526)	(2,571)	3,578	(1,717)
Contributions to endowments	75	82	—	—	75	82
Transfers	132	205	(130)	(201)	2	4
Increase (decrease) in net position	5,311	1,141	(1,656)	(2,772)	3,655	(1,631)
Net position - July 1, as restated	31,159	30,125	(6,185)	(3,413)	24,974	26,712
Net position - June 30	$ 36,470	$ 31,266	$ (7,841)	$ (6,185)	$ 28,629	$ 25,081

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $5.31 billion. A number of factors were in play including increases in tax revenues and federal grants greater than spending increases on K-12 education and human services.

- Tax revenues increased by $2.80 billion in fiscal year 2021 as compared to fiscal year 2020 reflecting continuing strength in the property values and real estate sales. Sales and use tax, which are the main tax revenue for governmental activities, reported an increase of $1.51 billion. Business and occupation tax increased by $666.6 million. Property tax revenue increased by $225.1 million as property values continue to rise. Revenue from real estate excise taxes, levied on the sale of real estate, increased by $684.2 million.

- Operating grants and contributions grew by $6.43 billion in fiscal year 2021 compared with 2020. The majority of this increase was federal stimulus funds received in response to COVID-19, and this was matched with an increase in human services operating grant expenses as the state continued its response to the COVID-19 crisis. As of June 30, 2021, $2.88 billion in federal stimulus funds received from the U.S. Department of the Treasury remained unspent and is classified as unearned revenue.

- Expenses grew by $606.9 million for K-12 education in 2021 as compared to fiscal year 2020. This reflects the state's ongoing commitment to meet the needs of K-12 education.

Business-Type Activities. Business-type activities decreased the state of Washington's net position by $1.66 billion. Key factors contributing to the operating results of business-type activities are:

- The workers' compensation activity decrease in net position in fiscal year 2021 was $802.8 million compared to a decrease of $1.83 billion in fiscal year 2020. Premiums and assessments revenue decreased $309.0 million in fiscal year 2021 as compared with fiscal year 2020 mostly as a result of the decrease in the average premium rates. Claim costs decreased by $1.79 billion in fiscal year 2021 as compared with fiscal year 2020. This decrease is largely the result of actuarial assumption changes in the Supplemental Pension Fund in the prior year, which caused an increase in the fiscal year 2020 expense. Investment income decreased by $533.9 million as compared to fiscal year 2020. The workers' compensation portfolio is 80.8 percent debt securities.

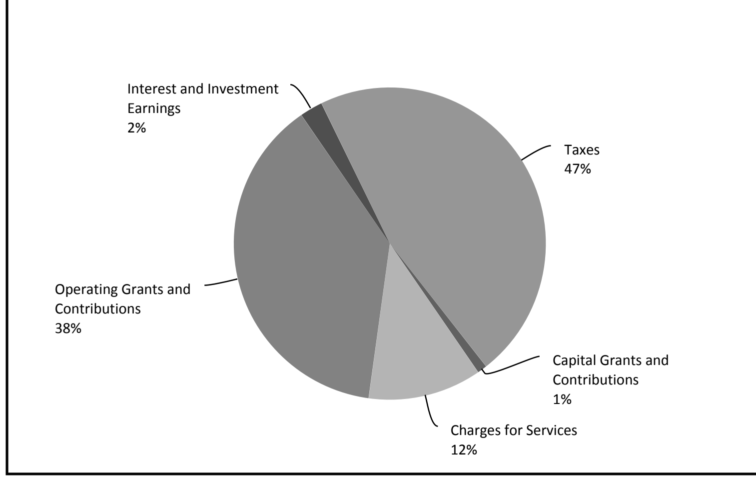
- The unemployment compensation activity reported an operating loss in fiscal year 2021 of $1.30 billion compared to an operating loss of $1.61 billion in fiscal year 2020. Unemployment insurance benefits increased by $4.44 billion in fiscal year 2021 over fiscal year 2020 due to an increase in unemployment caused by COVID-19. The unemployment rate for the state for June 2021 was 5.2 percent, a substantial decrease from the 9.8 percent unemployment rate for June 2020.

- The Higher Education Student Services activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.

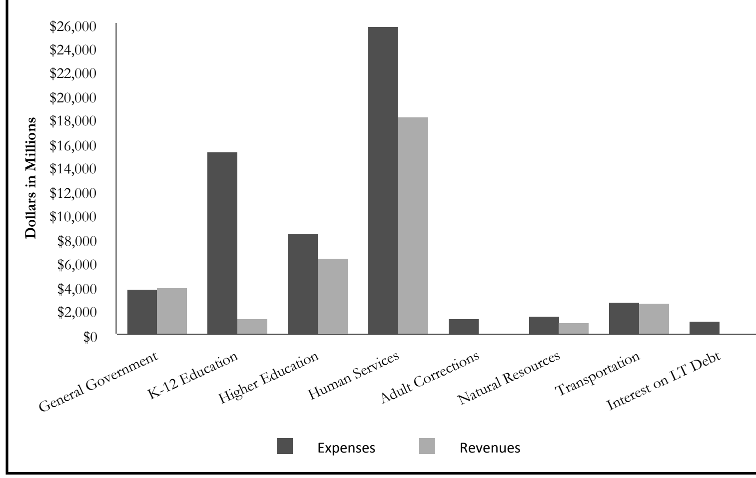
- The Health Insurance activity reported premiums collected of $3.56 billion in fiscal year 2021 compared to $2.59 billion in fiscal year 2020. This is the first full fiscal year of operation for this fund with all school employees included.

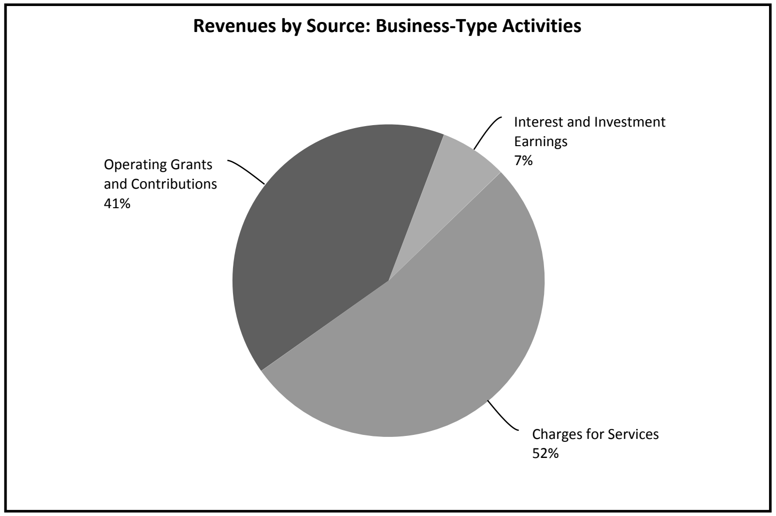
State of Washington

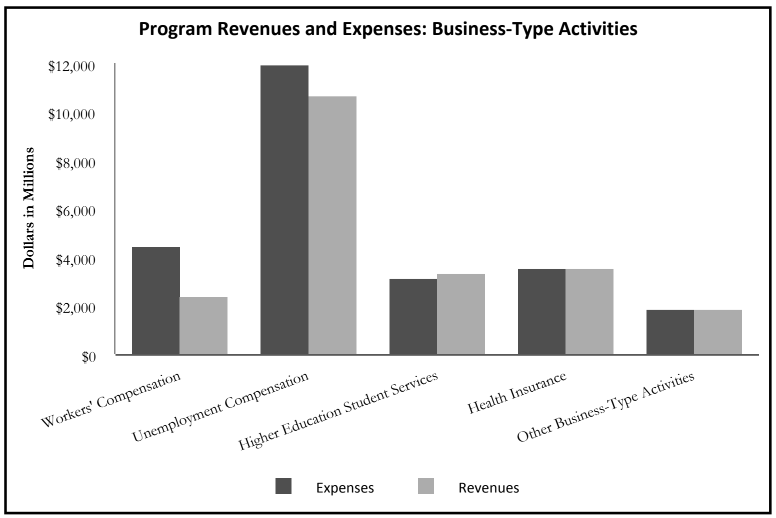
Revenues by Source: Governmental Activities



Program Revenues and Expenses: Governmental Activities







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, 2021, the state's governmental funds reported combined ending fund balances of $24.15 billion. Of this amount, $3.50 billion or 14.5 percent is nonspendable, either due to its form or legal constraints; and $8.99 billion or 37.2 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $9.01 billion or 37.3 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 $2.03 billion or 8.4 percent of total fund balance has been assigned to specific purposes by management. The unassigned portion of the governmental fund balance is $628.70 million or 2.6 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 increased by $2.23 billion in fiscal year 2021, as compared to a $70.0 million decrease in fiscal year 2020. Increased revenues from taxes and federal aid and spending increases in K-12 education and health services, caused by the COVID-19 response, were the key contributing factors. Assigned fund balance of $1.92 billion is reported for fiscal year 2021 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

(in millions of dollars)

	Fiscal Year 2021	Fiscal Year 2020	Difference Increase (Decrease) 2021 - 2020
REVENUES			
Taxes	$ 26,403	$ 23,496	$ 2,907
Federal grants	19,735	14,512	5,223
Investment revenue (loss)	(13)	114	(127)
Other	1,215	855	360
Total	47,340	38,977	8,363
EXPENDITURES			
Human services	25,814	21,366	4,448
Education	15,573	15,090	483
Other	3,165	1,859	1,306
Total	44,552	38,315	6,237
Net transfers in (out)	(643)	(838)	195
Other financing sources	83	106	(23)
Net increase (decrease) in fund balance	$ 2,228	$ (70)	$ 2,298

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 and the Higher Education Endowment 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 2021 was an increase of $226.9 million compared to an increase of $31.3 million in fiscal year 2020. The increase can be contributed to increased federal grants.

- The fund balance for the Higher Education Endowment Fund increased by $1.36 billion in fiscal year 2021. The increase is a result of positive growth in investment earnings.

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 2021 are as follows:

- The Workers' Compensation Fund reported a decrease in net position of $802.8 million in fiscal year 2021. Operating revenues decreased by $320.4 million and operating expenses decreased by $1.88 billion as compared to fiscal year 2020. As previously stated, premiums and assessments revenue decreased $309.0 million in fiscal year 2021 as compared with fiscal year 2020 mostly as a result of the decrease in the average premium rates. Claim costs decreased by $1.79 billion in fiscal year 2021 as compared with fiscal year 2020. This decrease is largely the result of actuarial assumption changes in the Supplemental Pension Fund in the prior year, which caused an increase in the fiscal year 2020 expense. Investment income decreased $533.9 million over fiscal year 2020.

- Washington's Unemployment Compensation Fund reported a decrease in net position of $1.17 billion. While unemployment benefit claims expense increased by $4.44 billion in fiscal year 2021 as compared to 2020, unemployment premiums and assessments decreased by $24.8 million and federal aid increased by $4.79 billion in fiscal year 2021 as compared to 2020. As previously stated, unemployment insurance benefits and federal aid continued to increase due to an increase in unemployment caused by COVID-19.

- The Higher Education Student Services Fund reported consistent activity when compared to the prior year.

- The Health Insurance Fund reported a decrease in net position of $ 27.0 million in fiscal year 2021. Operating revenues increased by $963.3 million while operating expenses increased by $1.10 billion as compared to fiscal year 2020.

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 $8.08 billion over the course of the fiscal year. The major increase in estimated resources is additional sales tax and federal grants-in-aid.

- Appropriated expenditure authority increased by $7.93 billion over the course of the fiscal year to address increases in the state's health program's and general government agencies' continued response to COVID-19.

The state did not overspend its legal spending authority for the 2019-21 biennium. Actual General Fund revenues and expenditures were 95.7 and 93.0 percent of final budgeted resources and appropriations, respectively, for the 2019-21 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, 2021, totaled $46.96 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2021 investment in capital assets, net of current year depreciation, increased $699.8 million over fiscal year 2020, including increases to the state's transportation infrastructure of $474.9 million. 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 $5.09 billion.

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 2021, assets accounted for under this approach include approximately 20,876 pavement lane miles, 3,956 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 predominantly assessed 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	
	2021	2020	2021	2020	2021	2020
Land	$ 2,933	$ 2,896	$ 75	$ 74	$ 3,008	$ 2,970
Transportation infrastructure and other assets not depreciated	26,769	26,292	5	5	26,774	26,297
Buildings	8,893	8,626	2,815	2,888	11,708	11,514
Furnishings, equipment, and intangible assets	2,124	2,167	107	133	2,231	2,300
Other improvements and infrastructure	1,332	1,317	107	79	1,439	1,396
Construction in progress	1,490	1,531	307	249	1,797	1,780
Total	$ 43,541	$ 42,829	$ 3,416	$ 3,428	$ 46,957	$ 46,257

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. 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. In 2018, the Washington State Department of Transportation updated its Capital Assets - Infrastructure Policy to report the average of the three most recent assessment periods, as opposed to just the most recent period.

The most recent pavements condition assessment indicates that 94.1 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 93.5 percent in fair or better condition. For fiscal year 2021, actual maintenance and preservation expenditures were 41.2 percent lower than planned. The significant variance is partly due to an additional appropriation for the Connecting Washington Program that funded other various projects to enhance the statewide transportation system and maintain critical infrastructure. Over the past five fiscal years, the actual expenditures for maintaining and preserving pavements were 8.5 percent lower than planned.

The most recent condition assessment of bridges over 20 feet in length indicates that 93.8 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 92.8 percent in good or fair condition. For fiscal year 2021, the actual maintenance and preservation expenditures were 5.0 percent lower than planned, and over the past five fiscal years, the actual expenditures were 14.9 percent lower than planned.

Bond Debt. At the end of fiscal year 2021, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $20.73 billion, an increase of 2.9 percent from fiscal year 2020. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $15.77 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, 2021, 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 2015-2020 is $20.61 billion. The debt service limitation, 8.25 percent of this mean, is $1.70 billion. The state's maximum annual debt service as of June 30, 2021, subject to the constitutional debt limitation is $1.26 billion, or $443.0 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 the Report on the State of Washington's Debt Limitation, available from the Office of the State Treasurer at https://www.tre.wa.gov/ wp-content/ uploads/ Debt-Limit-Certification-2021-Final-web.pdf.

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, 2021, 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	
	2021	2020	2021	2020	2021	2020
General obligation (GO) bonds	$ 20,402	$ 19,794	$ —	$ —	$ 20,402	$ 19,794
Accreted interest on zero interest rate GO bonds	328	359	—	—	328	359
Revenue bonds	1,889	2,033	2,293	2,235	4,182	4,268
Unamortized premium on bonds sold	2,637	2,132	182	180	2,819	2,312
Total	$ 25,256	$ 24,318	$ 2,475	$ 2,415	$ 27,731	$ 26,733

The state had revenue debt outstanding at June 30, 2021, of $4.18 billion, a decrease of $86.0 million compared to fiscal year 2020. The decrease is primarily related to the state colleges and universities not issuing as many revenue bonds as 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 $1.42 billion were refunded during the year. Washington's refunding activity produced $321.0 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, has weathered the COVID-19 storm better than many states. The state's aerospace industry has continued to struggle with the decrease in demand for air transportation, while the knowledge-based industries including information technology, health, business, and financial services has faired better. Washington's strong housing market and continued sales have had a positive effect on revenue growth. The increasing vaccination rate in Washington state should reduce the possibility of further loss of jobs. As long as the COVID-19 infection rate remains under control, the economy should continue to grow at a modest pace.

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, 2021, $269.5 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2021, the Legislature appropriated $164.2 million from the BSA for additional state expenditures, COVID-19 emergency services, emergency fire service mobilization, fire suppression, and fire damage recovery costs. The legislature additionally transferred $1.82 billion from the rainy day account to the General Fund to fund the increase in human services expenditures. The BSA had a fund balance of $19.2 million as of June 30, 2021.

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.

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Basic Financial Statements

Government-wide Financial Statements

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Statement of Net Position

June 30, 2021

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	$ 14,029,482	$ 5,648,269	$ 19,677,751	$ 417,650
Taxes receivable (net of allowance for uncollectibles)	4,993,694	3,691	4,997,385	—
Other receivables (net of allowance for uncollectibles)	2,805,100	2,151,333	4,956,433	114,275
Internal balances	178,409	(178,409)	—	—
Due from other governments	5,007,004	341,680	5,348,684	—
Inventories and prepaids	152,497	72,387	224,884	36,984
Restricted cash and investments	365,679	17,168	382,847	—
Restricted receivables, current	8,330	24,840	33,170	—
Investments, noncurrent	9,037,661	21,744,135	30,781,796	102,378
Restricted investments, noncurrent	—	78,224	78,224	25,875
Restricted net pension asset	2,466,477	911	2,467,388	—
Other assets	—	347,443	347,443	477,155
Capital assets:				
Non-depreciable assets	31,191,591	386,278	31,577,869	112,171
Depreciable assets (net of accumulated depreciation)	12,349,537	3,029,350	15,378,887	522,626
Total capital assets	43,541,128	3,415,628	46,956,756	634,797
Total Assets	82,585,461	33,667,300	116,252,761	1,809,114
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on asset retirement obligations	13,509	—	13,509	—
Deferred outflows on refundings	3,546	40,667	44,213	14,033
Deferred outflows on pensions	1,500,277	195,669	1,695,946	3,581
Deferred outflows on OPEB	666,039	185,041	851,080	617
Total Deferred Outflows of Resources	2,183,371	421,377	2,604,748	18,231
Total Assets and Deferred Outflows of Resources	$ 84,768,832	$ 34,088,677	$ 118,857,509	$ 1,827,345

The notes to the financial statements are an integral part of this statement.

Statement of Net Position

June 30, 2021

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 2,440,656	$ 192,981	$ 2,633,637	$ 40,984
Accrued liabilities	1,704,215	684,309	2,388,524	159,530
Obligations under security lending agreements	—	7,303	7,303	—
Due to other governments	1,088,853	271,862	1,360,715	—
Unearned revenues	3,478,994	198,857	3,677,851	67,057
Long-term liabilities:				
Due within one year	2,062,952	2,938,493	5,001,445	13,073
Due in more than one year	34,636,112	37,245,335	71,881,447	342,266
Total Liabilities	45,411,782	41,539,140	86,950,922	622,910
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	653	228	881	—
Deferred inflows on pensions	1,406,567	175,369	1,581,936	1,884
Deferred inflows on OPEB	1,436,675	214,837	1,651,512	1,455
Deferred inflows on irrevocable split interest agreements	43,323	—	43,323	—
Deferred inflows on property taxes	—	—	—	27,723
Total Deferred Inflows of Resources	2,887,218	390,434	3,277,652	31,062
NET POSITION				
Net investment in capital assets	23,934,108	825,107	24,759,215	349,803
Restricted for:				
Unemployment compensation	—	2,403,740	2,403,740	—
Nonexpendable permanent endowments	3,344,701	—	3,344,701	—
Expendable endowment funds	2,683,547	—	2,683,547	—
Pensions	2,529,957	784	2,530,741	—
Human services	3,546,350	—	3,546,350	—
Wildlife and natural resources	1,234,157	—	1,234,157	—
Transportation	1,161,315	—	1,161,315	—
Budget stabilization	19,191	—	19,191	—
Higher education	89,193	—	89,193	—
Other purposes	253,867	—	253,867	9,428
Unrestricted	(2,326,554)	(11,070,528)	(13,397,082)	814,142
Total Net Position	36,469,832	(7,840,897)	28,628,935	1,173,373
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 84,768,832	$ 34,088,677	$ 118,857,509	$ 1,827,345

The notes to the financial statements are an integral part of this statement.

State of Washington

Statement of Activities

For the Fiscal Year Ended June 30, 2021

(expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
PRIMARY GOVERNMENT								
Governmental Activities:								
General government	$ 3,768,668	$ 1,254,392	$ 2,596,521	$ —	$ 82,245	$ —	$ 82,245	
Education - K-12 education	15,321,811	13,613	1,238,507	—	(14,069,691)	—	(14,069,691)	
Education - higher education	8,472,309	3,203,056	3,098,446	67,609	(2,103,198)	—	(2,103,198)	
Human services	25,818,749	945,654	17,259,568	—	(7,613,527)	—	(7,613,527)	
Adult corrections	1,247,370	11,130	1,536	—	(1,234,704)	—	(1,234,704)	
Natural resources and recreation	1,539,878	616,961	275,472	34,265	(613,180)	—	(613,180)	
Transportation	2,756,601	1,604,557	459,773	545,949	(146,322)	—	(146,322)	
Interest on long-term debt	1,072,562	—	—	—	(1,072,562)	—	(1,072,562)	
Total Governmental Activities	59,997,948	7,649,363	24,929,823	647,823	(26,770,939)	—	(26,770,939)	
Business-Type Activities:								
Workers' compensation	4,505,342	2,391,263	9,425	—	—	(2,104,654)	(2,104,654)	
Unemployment compensation	11,939,071	1,143,334	9,499,890	—	—	(1,295,847)	(1,295,847)	
Higher education student services	3,165,639	3,326,311	18,962	1,065	—	180,699	180,699	
Health insurance	3,556,265	3,557,611	—	—	—	1,346	1,346	
Washington's lottery	729,151	954,429	—	—	—	225,278	225,278	
Paid family and medical leave	795,731	675,545	—	—	—	(120,186)	(120,186)	
Other	325,542	254,876	493	—	—	(70,173)	(70,173)	
Total Business-Type Activities	25,016,741	12,303,369	9,528,770	1,065	—	(3,183,537)	(3,183,537)	
Total Primary Government	$ 85,014,689	$ 19,952,732	$ 34,458,593	$ 648,888	$ (26,770,939)	$ (3,183,537)	$ (29,954,476)	
Total Component Units	$ 912,908	$ 962,533	$ 26,512	$ —				$ 76,137
General Revenues:								
Taxes, net of related credits:								
Sales and use					13,614,149	—	13,614,149	—
Business and occupation					5,339,446	—	5,339,446	—
Property					4,358,164	—	4,358,164	24,373
Motor vehicle and fuel					1,533,130	—	1,533,130	—
Excise					2,461,577	17,732	2,479,309	—
Cigarette and tobacco					386,659	—	386,659	—
Public utilities					500,106	—	500,106	—
Insurance premium					683,639	—	683,639	—
Other					1,457,273	—	1,457,273	19,327
Interest and investment earnings					1,541,248	1,639,480	3,180,728	972
Total general revenues					31,875,391	1,657,212	33,532,603	44,672
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers					5,104,452	(1,526,325)	3,578,127	120,809
Contributions to endowments					74,879	—	74,879	—
Transfers					132,095	(129,986)	2,109	—
Change in Net Position					5,311,426	(1,656,311)	3,655,115	120,809
Net Position - Beginning, as restated					31,158,406	(6,184,586)	24,973,820	1,052,564
Net Position - Ending					$ 36,469,832	$ (7,840,897)	$ 28,628,935	$ 1,173,373

The notes to the financial statements are an integral part of this statement.

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State of Washington

Basic Financial Statements
Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2021
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 6,717,955	$ 1,043,274	$ 1,019,383	$ 4,439,334	$ 13,219,946
Investments	13,456	3,468,330	5,270,732	329,291	9,081,809
Taxes receivable (net of allowance)	4,655,825	55,168	—	282,701	4,993,694
Receivables (net of allowance)	938,171	578,374	184,764	1,085,936	2,787,245
Due from other funds	1,900,513	930,062	12	451,896	3,282,483
Due from other governments	1,680,393	284,217	76	2,684,920	4,649,606
Inventories and prepaids	21,030	39,823	—	52,799	113,652
Restricted cash and investments	32,303	2,937	—	193,558	228,798
Restricted receivables	—	6,201	—	798	6,999
Total Assets	$ 15,959,646	$ 6,408,386	$ 6,474,967	$ 9,521,233	$ 38,364,232
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,799,671	$ 162,628	$ 43,517	$ 399,138	$ 2,404,954
Accrued liabilities	496,916	532,020	67,830	197,428	1,294,194
Due to other funds	226,035	1,036,093	515,770	1,087,006	2,864,904
Due to other governments	411,999	137,413	—	222,100	771,512
Unearned revenue	3,065,122	304,799	—	105,204	3,475,125
Claims and judgments payable	42,547	—	—	137,647	180,194
Total Liabilities	6,042,290	2,172,953	627,117	2,148,523	10,990,883
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,016,296	7,929	14,758	137,620	3,176,603
Deferred inflows on irrevocable split interest agreements	—	—	43,323	—	43,323
Total Deferred Inflows of Resources	3,016,296	7,929	58,081	137,620	3,219,926
FUND BALANCES					
Nonspendable fund balance	59,060	39,823	3,099,426	298,075	3,496,384
Restricted fund balance	2,908,232	49,644	2,690,343	3,339,402	8,987,621
Committed fund balance	1,221,109	4,028,098	—	3,765,618	9,014,825
Assigned fund balance	1,915,952	109,939	—	—	2,025,891
Unassigned fund balance	796,707	—	—	(168,005)	628,702
Total Fund Balances	6,901,060	4,227,504	5,789,769	7,235,090	24,153,423
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 15,959,646	$ 6,408,386	$ 6,474,967	$ 9,521,233	$ 38,364,232

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet to the Statement of Net Position
GOVERNMENTAL FUNDS
June 30, 2021
(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 24,153,423
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 31,169,553	
Depreciable assets	23,816,372	
Less: Accumulated depreciation	(12,183,057)	
Total capital assets		42,802,868
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		3,176,603
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.		2,466,477
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		2,095,722
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.		(2,709,385)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(398,753)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		(955,368)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and other financing contracts payable	$ (25,050,264)	
Accreted interest on bonds	(327,579)	
Compensated absences	(791,630)	
Other postemployment benefits obligations	(5,044,245)	
Net pension liability	(2,082,107)	
Unclaimed property	(240,594)	
Pollution remediation obligations	(228,470)	
Claims and judgments	(43,189)	
Asset retirement obligations	(29,132)	
Other obligations	(324,545)	
Total long-term liabilities		(34,161,755)
Net Position of Governmental Activities		$ 36,469,832

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 13,480,922	$ —	$ —	$ 133,227	$ 13,614,149
Business and occupation taxes	5,013,056	319,781	—	6,609	5,339,446
Property taxes	4,350,245	—	—	—	4,350,245
Excise taxes	1,524,398	319,849	—	617,330	2,461,577
Motor vehicle and fuel taxes	—	—	—	1,533,130	1,533,130
Other taxes	2,034,803	403,185	—	440,728	2,878,716
Licenses, permits, and fees	146,141	1,169	—	2,260,232	2,407,542
Other contracts and grants	347,463	1,308,804	—	181,614	1,837,881
Timber sales	4,163	—	14,862	111,345	130,370
Federal grants-in-aid	19,734,517	1,823,057	—	2,182,193	23,739,767
Charges for services	116,196	3,013,154	—	683,602	3,812,952
Investment income (loss)	(12,899)	22,537	1,464,263	67,348	1,541,249
Miscellaneous revenue	450,258	76,282	6,420	570,773	1,103,733
Contributions and donations	—	—	74,879	—	74,879
Unclaimed property	150,913	—	—	—	150,913
Total Revenues	47,340,176	7,287,818	1,560,424	8,788,131	64,976,549
EXPENDITURES					
Current:					
General government	2,172,500	228	170	1,464,988	3,637,886
Human services	25,813,817	18,134	—	1,290,849	27,122,800
Natural resources and recreation	668,524	—	—	852,349	1,520,873
Transportation	64,390	—	—	2,227,351	2,291,741
Education	15,573,136	6,802,768	956	1,163,664	23,540,524
Intergovernmental	132,159	—	—	381,114	513,273
Capital outlays	106,460	192,845	706	1,930,638	2,230,649
Debt service:					
Principal	17,238	43,217	—	1,132,425	1,192,880
Interest	4,056	22,957	—	1,054,671	1,081,684
Total Expenditures	44,552,280	7,080,149	1,832	11,498,049	63,132,310
Excess of Revenues Over (Under) Expenditures	2,787,896	207,669	1,558,592	(2,709,918)	1,844,239
OTHER FINANCING SOURCES (USES)					
Bonds issued	74,562	26,997	—	1,710,423	1,811,982
Refunding bonds issued	—	—	—	856,970	856,970
Payments to escrow agents for refunded bond debt	—	—	—	(1,007,913)	(1,007,913)
Issuance premiums	3,626	1,614	—	707,662	712,902
Other debt issued	7,039	12,873	—	48,036	67,948
Refunding COPs issued	6,440	6,935	—	—	13,375
Payment to escrow agents for refunded COP debt	(7,925)	—	—	—	(7,925)
Transfers in	1,019,796	996,738	28,220	2,920,857	4,965,611
Transfers out	(1,663,130)	(1,025,937)	(230,936)	(1,920,361)	(4,840,364)
Total Other Financing Sources (Uses)	(559,592)	19,220	(202,716)	3,315,674	2,572,586
Net Change in Fund Balances	2,228,304	226,889	1,355,876	605,756	4,416,825
Fund Balances - Beginning, as restated	4,672,756	4,000,615	4,433,893	6,629,334	19,736,598
Fund Balances - Ending	$ 6,901,060	$ 4,227,504	$ 5,789,769	$ 7,235,090	$ 24,153,423

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 4,416,825
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 1,507,563	
Less: Depreciation expense	(736,720)	770,843
Some revenues in the Statement of Activities do not provide current financial resources, and therefore are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		201,771
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		41,192
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (3,424,263)	
Principal payments on bonds and other financing contracts	2,452,564	
Accreted interest on bonds	31,714	(939,985)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ (52,860)	
Other postemployment benefits	37,998	
Pensions	895,009	
Pollution remediation	(52,618)	
Claims and judgments	(3,902)	
Accrued interest	(3,430)	
Unclaimed property	5,170	
Asset retirement obligations	(1,733)	
Other obligations	(2,854)	820,780
Change in Net Position of Governmental Activities		$ 5,311,426

The notes to the financial statements are an integral part of this statement.

State of Washington

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2021
(expressed in thousands)

Continued

	Business-Type Activities Enterprise Funds						Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
ASSETS							
Current Assets:							
Cash and cash equivalents	$ 81,919	$ 2,002,816	$ 1,063,493	$ 422,282	$ 436,046	$ 4,006,556	$ 740,397
Investments	1,582,344	—	4,070	—	55,299	1,641,713	921
Taxes receivable (net of allowance)	—	—	—	—	3,691	3,691	—
Receivables (net of allowance)	825,849	638,111	391,403	30,659	265,311	2,151,333	17,855
Due from other funds	229	3,368	8,884	—	74,868	87,349	104,765
Due from other governments	1,455	38,626	110,434	163,826	10,350	324,691	28,818
Inventories	88	—	54,826	—	10,392	65,306	17,350
Prepaid expenses	159	—	6,458	—	464	7,081	21,493
Restricted cash and investments	488	—	16,680	—	—	17,168	136,881
Restricted receivables	—	—	24,840	—	—	24,840	1,331
Total Current Assets	2,492,531	2,682,921	1,681,088	616,767	856,421	8,329,728	1,069,811
Noncurrent Assets:							
Investments, noncurrent	19,723,138	—	224,718	2,256	1,794,023	21,744,135	24,069
Restricted investments, noncurrent	—	—	78,224	—	—	78,224	—
Restricted net pension asset	—	—	911	—	—	911	—
Other noncurrent assets	3,782	—	261,544	—	82,118	347,444	—
Capital assets:							
Land and other non-depreciable assets	3,204	—	74,597	—	1,540	79,341	7,258
Buildings	65,111	—	4,589,780	—	12,828	4,667,719	588,684
Other improvements	1,289	—	149,458	—	5,772	156,519	15,122
Furnishings, equipment, and intangibles	105,128	—	760,411	410	36,087	902,036	1,041,505
Infrastructure	—	—	64,513	—	—	64,513	2,170
Accumulated depreciation	(142,255)	—	(2,589,257)	(263)	(29,662)	(2,761,437)	(931,258)
Construction in progress	4,052	—	235,044	—	67,841	306,937	14,779
Total Noncurrent Assets	19,763,449	—	3,849,943	2,403	1,970,547	25,586,342	762,329
Total Assets	22,255,980	2,682,921	5,531,031	619,170	2,826,968	33,916,070	1,832,140
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows on refundings	—	—	40,622	—	45	40,667	2,854
Deferred outflows on pensions	34,993	—	141,120	2,265	17,291	195,669	57,035
Deferred outflows on OPEB	17,537	—	145,167	3,773	18,563	185,040	27,760
Total Deferred Outflows of Resources	52,530	—	326,909	6,038	35,899	421,376	87,649
Total Assets and Deferred Outflows of Resources	$ 22,308,510	$ 2,682,921	$ 5,857,940	$ 625,208	$ 2,862,867	$ 34,337,446	$ 1,919,789

The notes to the financial statements are an integral part of this statement.

State of Washington

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2021
(expressed in thousands)

Concluded

	Business-Type Activities Enterprise Funds						Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION							
LIABILITIES							
Current Liabilities:							
Accounts payable	$ 10,188	$ —	$ 154,076	$ 13,778	$ 14,939	$ 192,981	$ 35,698
Accrued liabilities	297,940	127,690	272,645	948	182,569	881,792	75,810
Obligations under security lending agreements	—	—	—	—	7,303	7,303	—
Bonds and notes payable	—	—	144,418	—	2,925	147,343	128,808
Total OPEB liability	2,362	—	11,037	146	1,014	14,559	3,151
Due to other funds	6,040	1,771	218,432	743	91,435	318,421	291,182
Due to other governments	496	149,720	2,520	—	49,474	202,210	34,486
Unearned revenue	7,381	—	149,284	1,740	40,452	198,857	3,870
Claims and judgments payable	2,393,303	—	—	174,541	11,265	2,579,109	170,651
Total Current Liabilities	2,717,710	279,181	952,412	191,896	401,376	4,542,575	743,656
Noncurrent Liabilities:							
Claims and judgments payable	32,189,006	—	—	—	14,448	32,203,454	1,204,325
Bonds and notes payable	—	—	2,563,984	—	2,069	2,566,053	477,132
Net pension liability	67,653	—	219,591	3,538	29,590	320,372	107,156
Total OPEB liability	131,901	—	616,450	8,138	56,662	813,151	175,985
Other long-term liabilities	9,861	—	65,922	894	1,265,628	1,342,305	32,394
Total Noncurrent Liabilities	32,398,421	—	3,465,947	12,570	1,368,397	37,245,335	1,996,992
Total Liabilities	35,116,131	279,181	4,418,359	204,466	1,769,773	41,787,910	2,740,648
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows on refundings	—	—	228	—	—	228	93
Deferred inflows on pensions	20,269	—	145,897	966	8,236	175,368	58,305
Deferred inflows on OPEB	39,113	—	155,145	2,008	18,571	214,837	76,111
Total Deferred Inflows of Resources	59,382	—	301,270	2,974	26,807	390,433	134,509
NET POSITION							
Net investment in capital assets	36,530	—	698,974	146	89,457	825,107	211,524
Restricted for:							
Unemployment compensation	—	2,403,740	—	—	—	2,403,740	—
Pensions	—	—	784	—	—	784	—
Unrestricted	(12,903,533)	—	438,553	417,622	976,830	(11,070,528)	(1,166,892)
Total Net Position	(12,867,003)	2,403,740	1,138,311	417,768	1,066,287	(7,840,897)	(955,368)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 22,308,510	$ 2,682,921	$ 5,857,940	$ 625,208	$ 2,862,867	$ 34,337,446	$ 1,919,789

The notes to the financial statements are an integral part of this statement.

State of Washington

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

(expressed in thousands)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES							
Sales	$ —	$ —	$ 30,172	$ —	$ 103,654	$ 133,826	$ 34,510
Less: Cost of goods sold	—	—	(21,497)	—	(73,728)	(95,225)	(29,217)
Gross profit	—	—	8,675	—	29,926	38,601	5,293
Charges for services	27	—	2,945,116	—	123,242	3,068,385	840,606
Premiums and assessments	2,349,955	1,130,196	—	3,557,559	701,864	7,739,574	123,274
Lottery ticket proceeds	—	—	—	—	950,727	950,727	—
Federal aid for unemployment insurance benefits	—	9,499,890	—	—	—	9,499,890	—
Miscellaneous revenue	41,255	13,138	349,566	56	5,388	409,403	232,662
Total Operating Revenues	2,391,237	10,643,224	3,303,357	3,557,615	1,811,147	21,706,580	1,201,835
OPERATING EXPENSES							
Salaries and wages	209,818	—	1,195,339	13,954	93,369	1,512,480	344,202
Employee benefits	55,083	—	340,464	5,348	27,939	428,834	95,120
Personal services	14,774	—	143,637	11,758	20,120	190,289	34,950
Goods and services	103,284	—	1,149,858	7,666	137,407	1,398,215	448,963
Travel	2,286	—	8,627	5	438	11,356	2,822
Premiums and claims	4,112,609	11,939,071	—	3,517,340	757,399	20,326,419	135,127
Guaranteed education tuition program expense	—	—	—	—	127,528	127,528	—
Lottery prize payments	—	—	—	—	604,091	604,091	—
Depreciation and amortization	4,371	—	202,274	52	2,431	209,128	95,881
Miscellaneous expenses	3,118	—	20,711	143	1,327	25,299	259
Total Operating Expenses	4,505,343	11,939,071	3,060,910	3,556,266	1,772,049	24,833,639	1,157,324
Operating Income (Loss)	(2,114,106)	(1,295,847)	242,447	1,349	39,098	(3,127,059)	44,511
NONOPERATING REVENUES (EXPENSES)							
Earnings (loss) on investments	1,303,002	46,305	56,671	(2,296)	235,797	1,639,479	688
Interest expense	—	—	(83,232)	—	(4,646)	(87,878)	(16,239)
Tax and license revenue	100	—	—	—	17,632	17,732	3
Other revenues (expenses)	9,452	—	20,419	(3)	467	30,335	1,722
Total Nonoperating Revenues (Expenses)	1,312,554	46,305	(6,142)	(2,299)	249,250	1,599,668	(13,826)
Income (Loss) Before Contributions and Transfers	(801,552)	(1,249,542)	236,305	(950)	288,348	(1,527,391)	30,685
Capital contributions	—	—	1,065	—	—	1,065	3,660
Transfers in	75	82,000	637,172	8,896	20,057	748,200	38,112
Transfers out	(1,326)	—	(589,964)	(34,931)	(251,964)	(878,185)	(31,265)
Net Contributions and Transfers	(1,251)	82,000	48,273	(26,035)	(231,907)	(128,920)	10,507
Change in Net Position	(802,803)	(1,167,542)	284,578	(26,985)	56,441	(1,656,311)	41,192
Net Position - Beginning, as restated	(12,064,200)	3,571,282	853,733	444,753	1,009,846	(6,184,586)	(996,560)
Net Position - Ending	$ (12,867,003)	$ 2,403,740	$ 1,138,311	$ 417,768	$ 1,066,287	$ (7,840,897)	$ (955,368)

The notes to the financial statements are an integral part of this statement.

State of Washington

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021
(expressed in thousands)

Continued

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	$ 2,409,998	$ 1,236,675	$ 2,859,926	$ 3,546,991	$ 1,919,371	$ 11,972,961	$ 1,103,898
Payments to suppliers	(2,444,809)	(11,839,886)	(1,315,583)	(3,597,291)	(1,692,563)	(20,890,132)	(600,366)
Payments to employees	(284,557)	—	(1,547,037)	(18,799)	(127,988)	(1,978,381)	(463,248)
Other receipts	41,256	9,504,748	349,566	55	5,430	9,901,055	174,632
Net Cash Provided (Used) by Operating Activities	(278,112)	(1,098,463)	346,872	(69,044)	104,250	(994,497)	214,916
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	75	82,000	637,172	8,896	20,057	748,200	38,112
Transfers out	(1,326)	—	(589,964)	(34,931)	(251,964)	(878,185)	(31,265)
Operating grants and donations received	9,978	—	5,697	(446)	494	15,723	1,089
Taxes and license fees collected	100	—	—	—	16,346	16,446	3
Net Cash Provided (Used) by Noncapital Financing Activities	8,827	82,000	52,905	(26,481)	(215,067)	(97,816)	7,939
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest paid	—	—	(91,874)	—	(135)	(92,009)	(22,652)
Principal payments on long-term capital financing	—	—	(178,084)	—	(490)	(178,574)	(56,820)
Proceeds from long-term capital financing	—	—	182,718	—	—	182,718	44,033
Proceeds from sale of capital assets	32	—	2,983	—	5	3,020	26,100
Acquisitions of capital assets	(3,751)	—	(177,086)	—	(16,577)	(197,414)	(59,208)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,719)	—	(261,343)	—	(17,197)	(282,259)	(68,547)
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipt of interest	777,078	46,305	4,998	4,030	33,947	866,358	995
Proceeds from sale of investment securities	8,395,806	—	81,032	—	249,247	8,726,085	17,732
Purchases of investment securities	(8,887,154)	—	(69,101)	—	(276,065)	(9,232,320)	(17,985)
Net Cash Provided (Used) by Investing Activities	285,730	46,305	16,929	4,030	7,129	360,123	742
Net Increase (Decrease) in Cash and Pooled Investments	12,726	(970,158)	155,363	(91,495)	(120,885)	(1,014,449)	155,050
Cash and cash equivalents, July 1, as restated	69,681	2,972,974	924,810	513,777	556,931	5,038,173	722,228
Cash and cash equivalents, June 30	$ 82,407	$ 2,002,816	$ 1,080,173	$ 422,282	$ 436,046	$ 4,023,724	$ 877,278
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	$ (2,114,106)	$ (1,295,847)	$ 242,447	$ 1,349	$ 39,098	$ (3,127,059)	$ 44,511
Adjustments to Reconcile Operating Income (Loss)							
to Net Cash Provided (Used) by Operating Activities:							
Depreciation	4,371	—	202,274	52	2,431	209,128	95,881
Revenue reduced for uncollectible accounts	(3,953)	—	268	—	4	(3,681)	144
Change in Assets: Decrease (Increase)							
Receivables	11,891	98,200	(95,379)	(4,243)	(40,318)	(29,849)	105,832
Inventories	28	—	(1,559)	—	121	(1,410)	(395)
Prepaid expenses	1,410	—	103	—	(75)	1,438	(5,415)
Other assets	—	—	(135)	—	—	(135)	—
Change in Deferred Outflows of Resources: Increase (Decrease)	(4,428)	—	(92,116)	(2,010)	(6,666)	(105,220)	(2,271)
Change in Liabilities: Increase (Decrease)							
Payables	1,846,491	99,184	67,111	(63,966)	115,425	2,064,245	(17,399)
Change in Deferred Inflows of Resources: Decrease (Increase)	(19,816)	—	23,858	(226)	(5,770)	(1,954)	(5,972)
Net Cash Provided (Used) by Operating Activities	$ (278,112)	$ (1,098,463)	$ 346,872	$ (69,044)	$ 104,250	$ (994,497)	$ 214,916

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021
(expressed in thousands)

	Business-Type Activities Enterprise Funds						Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Contributions of capital assets	$ —	$ —	$ 1,065	$ —	$ —	$ 1,065	$ 3,660
Amortization of annuity prize liability	—	—	—	—	4,578	4,578	—
Increase (decrease) in fair value of investments	528,401	—	(137)	(6,100)	202,433	724,597	(156)
Debt refunding deposited with escrow agent	—	—	567,130	—	—	567,130	—
Amortization of debt premium/discount	—	—	5,256	—	67	5,323	6,726
Increase in ownership of joint venture	—	—	50,837	—	—	50,837	—

The notes to the financial statements are an integral part of this statement.

Concluded

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2021
(expressed in thousands)

Continued

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Custodial Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and cash equivalents	$ 10,328	$ 7,555,216	$ 63,074	$ 295,693
Receivables, pension and other employee benefit plans:				
Employers	—	—	231,189	—
Members (net of allowance)	—	—	7,266	—
Interest and dividends	—	—	364,888	—
Investment trades pending	—	—	8,107,036	—
Taxes receivable (net of allowance)	—	—	—	1,346,995
Due from other pension and other employee benefit funds	—	—	113,315	—
Other receivables, all other funds	—	6,449	82	8,267
Due from other governments	—	—	—	23,680
Investments:				
Liquidity	—	12,258,451	4,053,279	—
Fixed income	—	1,273,440	24,447,109	—
Public equity	—	—	60,118,475	—
Private equity	—	—	41,511,933	—
Real estate	—	—	25,523,742	—
Tangible assets	—	—	8,024,627	—
Security lending collateral	—	—	249,454	—
Other noncurrent assets	—	—	—	63,381
Capital assets:				
Furnishings, equipment, and intangibles	20	—	—	—
Accumulated depreciation	(20)	—	—	—
Total Assets	10,328	21,093,556	172,815,469	1,738,016
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	—	213	—
Total Deferred Outflows of Resources	—	—	213	—
Total Assets and Deferred Outflows of Resources	$ 10,328	$ 21,093,556	$172,815,682	$ 1,738,016

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2021
(expressed in thousands)

Concluded

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Custodial Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Accounts payable	$ 212	$ —	$ —	$ 5,382
Accrued liabilities	139	699,907	8,937,693	60,262
Obligations under security lending agreements	—	—	249,454	—
Due to other funds	—	90	—	—
Due to other pension and other employee benefit funds	—	—	113,314	—
Due to other governments	—	341,292	—	582,242
Unearned revenue	—	—	821	—
Other long-term liabilities	—	—	—	17,931
Total Liabilities	351	1,041,289	9,301,282	665,817
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on OPEB	—	—	152	—
Total Deferred Inflows of Resources	—	—	152	—
Total Liabilities and Deferred Inflows of Resources	351	1,041,289	9,301,434	665,817
NET POSITION				
Net position restricted for:				
Pensions	—	—	157,347,830	—
Deferred compensation participants	—	—	6,166,418	—
Local government pool participants	—	20,052,267	—	—
Individuals, organizations, and other governments	9,977	—	—	1,072,199
Total Net Position	$ 9,977	$ 20,052,267	$163,514,248	$ 1,072,199

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Net Position
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2021
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Custodial Funds
ADDITIONS				
Contributions:				
Employers	$ —	$ —	$ 3,266,805	$ —
Members	—	—	2,010,596	—
State	—	—	93,837	—
Participants	—	28,729,980	368,515	775,351
Total Contributions	—	28,729,980	5,739,753	775,351
Investment Income:				
Net appreciation (depreciation) in fair value	—	—	37,025,575	—
Interest and dividends	—	36,506	2,533,852	18,941
Earnings (loss) on investments	—	(6,476)	—	2,985
Less: Investment expenses	—	—	(683,676)	—
Net Investment Income (Loss)	—	30,030	38,875,751	21,926
Other Additions:				
Unclaimed property	56,781	—	—	—
Transfers from other plans	—	—	103,442	—
Sales tax collections for other governments	—	—	—	6,255,210
Miscellaneous revenue	939	—	21,537	—
Other Additions	—	—	—	418,861
Total Other Additions	57,720	—	124,979	6,674,071
Total Additions	57,720	28,760,010	44,740,483	7,471,348
DEDUCTIONS				
Pension benefits	—	—	5,269,815	—
Pension refunds	—	—	815,925	—
Transfers to other plans	—	—	103,442	—
Administrative expenses	6,570	1,512	3,679	608
Distributions to participants	—	26,712,068	326,935	—
Payments of sales tax to other governments	—	—	—	6,094,334
Payments on behalf of retirees for medical benefits	—	—	—	782,028
Other deductions	—	—	—	429,686
Payments to or on behalf of individuals, organizations, and other governments in accordance with state unclaimed property laws	45,065	—	—	—
Transfers out	2,109	—	—	—
Total Deductions	53,744	26,713,580	6,519,796	7,306,656
Net Increase (Decrease)	3,976	2,046,430	38,220,687	164,692
Net Position - Beginning, as restated	6,001	18,005,837	125,293,561	907,507
Net Position - Ending	$ 9,977	$ 20,052,267	$163,514,248	$ 1,072,199

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
COMPONENT UNITS
June 30, 2021
(expressed in thousands)

Continued

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 15,941	$ 3,657	$ 152,700	$ 169,147	$ 341,445
Investments	—	—	25,335	50,870	76,205
Receivables (net of allowance)	2,743	5,485	92,091	13,956	114,275
Inventories	—	—	9,438	—	9,438
Prepaid expenses	12	5,565	21,525	444	27,546
Total Current Assets	18,696	14,707	301,089	234,417	568,909
Noncurrent Assets:					
Investments, noncurrent	—	—	102,378	—	102,378
Restricted investments, noncurrent	—	—	25,875	—	25,875
Other noncurrent assets	—	576	—	476,579	477,155
Capital assets:					
Land	34,677	—	14,026	—	48,703
Buildings	460,952	—	511,617	—	972,569
Other improvements	—	1,854	18,778	176	20,808
Furnishings, equipment, and intangible assets	10,404	67,414	260,689	2,108	340,615
Lease asset	—	2,794	—	—	2,794
Accumulated depreciation	(298,353)	(52,253)	(461,351)	(2,203)	(814,160)
Construction in progress	—	1,275	62,193	—	63,468
Total Noncurrent Assets	207,680	21,660	534,205	476,660	1,240,205
Total Assets	226,376	36,367	835,294	711,077	1,809,114
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refundings	—	—	14,033	—	14,033
Deferred outflows on pensions	34	2,380	—	1,167	3,581
Deferred outflows on OPEB	—	131	—	486	617
Total Deferred Outflows of Resources	34	2,511	14,033	1,653	18,231
Total Assets and Deferred Outflows of Resources	$ 226,410	$ 38,878	$ 849,327	$ 712,730	$ 1,827,345

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
COMPONENT UNITS
June 30, 2021
(expressed in thousands)

Concluded

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 13	$ 6,730	$ 33,833	$ 408	$ 40,984
Accrued liabilities	3,270	1,430	125,572	41,737	172,009
Total OPEB liability	—	—	—	3	3
Lease liability	—	591	—	—	591
Unearned revenue	—	6,544	45,265	15,248	67,057
Total Current Liabilities	3,283	15,295	204,670	57,396	280,644
Noncurrent Liabilities:					
Net pension liability	150	4,132	—	2,640	6,922
Total OPEB liability	—	1,819	—	3,622	5,441
Lease liability	—	588	—	—	588
Other long-term liabilities	—	576	328,739	—	329,315
Total Noncurrent Liabilities	150	7,115	328,739	6,262	342,266
Total Liabilities	3,433	22,410	533,409	63,658	622,910
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on property taxes	—	—	27,723	—	27,723
Deferred inflows on pensions	42	1,249	—	593	1,884
Deferred inflows on OPEB	—	351	—	1,104	1,455
Total Deferred Inflows of Resources	42	1,600	27,723	1,697	31,062
NET POSITION					
Net investment in capital assets	207,511	18,932	123,279	81	349,803
Restricted for:					
Other purposes	7,507	—	1,112	809	9,428
Unrestricted	7,917	(4,064)	163,804	646,485	814,142
Total Net Position	222,935	14,868	288,195	647,375	1,173,373
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 226,410	$ 38,878	$ 849,327	$ 712,730	$ 1,827,345

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2021
(expressed in thousands)

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
EXPENSES	$ 19,030	$ 56,930	$ 815,446	$ 21,502	$ 912,908
PROGRAM REVENUES					
Charges for services	12,113	33,493	780,789	136,138	962,533
Operating grants and contributions	—	26,512	—	—	26,512
Total Program Revenues	12,113	60,005	780,789	136,138	989,045
Net Program Revenues (Expense)	(6,917)	3,075	(34,657)	114,636	76,137
GENERAL REVENUES					
Earnings (loss) on investments	54	—	605	313	972
Property taxes	—	—	24,373	—	24,373
Other	—	—	19,327	—	19,327
Total General Revenues	54	—	44,305	313	44,672
Change in Net Position	(6,863)	3,075	9,648	114,949	120,809
Net Position - Beginning, as restated	229,798	11,793	278,547	532,426	1,052,564
Net Position - Ending	$ 222,935	$ 14,868	$ 288,195	$ 647,375	$ 1,173,373

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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Note 1

Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government) and organizations that are financially accountable to the state. Additionally, other organizations that do not meet the financial accountability criteria may be included in the reporting entity if the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either (1) able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government. The organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: (1) the primary government is legally entitled to or can access the organization's resources, (2) the primary government is legally obligated or has otherwise assumed the obligation to finance or provide financial support to the organization, (3) the primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the following are included in the financial statements of the primary government:

State Agencies. Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, councils (agencies), and all funds and subsidiary accounts of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor. Additionally, a small number of board positions are established by statute or independently elected.

The Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets reside with the state.

Colleges and Universities. The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. The governing board of each college and university appoints a president to function as chief administrator. The Legislature approves budgets and budget amendments for the appropriated funds of each college and university, which include the state's General Fund as well as certain capital projects funds. The State Treasurer issues general obligation debt for major campus construction projects. However, the colleges and universities are authorized to issue revenue bonds.

The University of Washington (UW) and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. All other revenue bonds issued by colleges and universities pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities. The legal liability for the bonds and the ownership of the college and university assets reside with the state.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state, their financial operations, including their blended component units, are reported in the state's financial statements using the fund structure prescribed by GASB.

Retirement Systems. The state of Washington, through the Department of Retirement Systems (DRS), administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of DRS is appointed by the Governor.

There are three additional retirement systems administered outside of the DRS. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the State Board for Volunteer Fire Fighters and Reserve Officers, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration. The Higher Education Retirement Plan Supplemental Benefit Fund Plans are administered by the state's colleges and universities.

The Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems, together with the state, provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All of the aforementioned retirement systems are included in the primary government's financial statements.

Blended Component Units

Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. Financial information for the state's blended component units may be obtained from the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127. The following entities are blended in the state's financial statements:

Tobacco Settlement Authority was created by the Legislature in March 2002 as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7.A for additional information.

University of Washington Physicians (UWP) was established for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM.

UW Medicine Neighborhood Clinics (UW Neighborhood Clinics) were established for the exclusive benefit of the UWSOM, UWP and its affiliated medical centers, Harborview Medical Center, and the UW Medical Center (UWMC). The UW Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents, and students.

Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3, 3.2, and 3.3 were formed to acquire, construct, or renovate certain real properties for the benefit of the UW in fulfilling its educational, medical, or scientific research missions.

TOP and FYI Properties were formed to design and construct office facilities to house state employees. The facilities were financed with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service.

Discrete Component Units

Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the institutions. The state also has the ability to influence the operations of the institutions through legislation.

The state's discrete component units each have a year end of June 30 with the exception of the Washington Economic Development Finance Authority which has a December 31 year end.

The following entities are discretely presented in the financial statements of the state in the component unit's column:

The **Washington State Public Stadium Authority (PSA)** was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. At June 30, 2021, PSA capital assets, net of accumulated depreciation, total $207.7 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as required in statute.

Project costs in excess of $300 million were the responsibility of the project's private partner, First & Goal, Inc. The bonds are being repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility. The final debt payment was made in fiscal year 2021.

Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority
Lumen Field & Event Center
800 Occidental Avenue South, #700
Seattle, WA 98134

The **Washington Health Benefit Exchange (Exchange)** was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and Affordable Care Act of 2010. Federal grant funding financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange became self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

Financial reports of the Exchange may be obtained at the following address:

Washington Health Benefit Exchange
810 Jefferson Street SE
PO Box 657
Olympia, WA 98507

Valley Medical Center was created July 1, 2011, through a strategic alliance between UW Medicine and Public Hospital District No. 1 of King County. Valley Medical Center owns and operates a 321-bed full service acute care hospital and 45 clinics located throughout southeast King County.

Financial reports of Valley Medical Center may be obtained at the following address:

Valley Medical Center
400 S. 43rd Street
Renton, WA 98055-5010

The **Washington State Housing Finance Commission,** the **Washington Higher Education Facilities Authority,** the **Washington Health Care Facilities Authority,** and the **Washington Economic Development Finance Authority** (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority
410 11th Avenue SE, Suite 201
Olympia, WA 98501

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104

Joint Ventures

In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center to establish the **Seattle Cancer Care Alliance (SCCA)**. Each member of the SCCA has a one-third interest. The mission of the SCCA is to eliminate cancer as a cause of human suffering and death and to become recognized as the premier cancer research and treatment center in the Pacific Northwest. The SCCA integrates the cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

Inpatient Services - The SCCA operates a 20-bed unit located within the Medical Center in which its adult inpatients receive care. The fiscal intermediary has determined that the 20-bed unit qualifies as a hospital within a hospital for Medicare reimbursement purposes. The SCCA provides medical oversight and management of the inpatient unit. Under agreements, the Medical Center provides inpatient care services to the SCCA including necessary personnel, equipment, and ancillary services.

Outpatient Services - The SCCA operates an ambulatory cancer care service facility in Seattle. The Medical Center provides various services to the SCCA's outpatient facility including certain pharmacy, laboratory, and pathology services as well as billing, purchasing, and other administrative services.

The state accounts for the Medical Center's interest in the SCCA under the equity method of accounting. Income of $50.8 million was recorded in fiscal year 2021, bringing the total equity investment to $259.3 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the SCCA may be obtained from:

Seattle Cancer Care Alliance
825 Eastlake Avenue East
PO Box 19023
Seattle, WA 98109-1023

The University of Washington and Seattle Children's Hospital established **Children's University Medical Group (CUMG)** to assist the organizations in carrying out their pediatric patient care, as well as charitable, educational, and scientific missions.

CUMG employs UWSOM faculty physicians and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable includes amounts due from CUMG of $12.3 million in 2021.

Separate financial statements for CUMG may be obtained from:

Children's University Medical Group
4500 Sand Point Way NE, Suite 100
Seattle, WA 98105

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Statement of Net Position. The Statement of Net Position presents the state's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. As a general rule, balances between governmental and business-type activities are eliminated.

Statement of Activities. The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally, the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The state uses 746 accounts that are combined into 53 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds

and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.
- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for educational and research purposes.
- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the income earned on investments.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.
- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.
- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.
- **Health Insurance Fund** is used to account for premiums collected and payments for public and school employees' insurance benefits.

The state includes the following nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations, and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.
- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).
- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery, vocational/education programs at correctional institutions, the Guaranteed Education Tuition program, paid family and medical leave compensation, and other activities.
- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

Nonmajor Fiduciary Funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.
- **Investment Trust Funds** account for the external portion of the local government investments, which is reported by the state as the sponsoring government.
- **Private-Purpose Trust Funds** are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other

governments such as the administration of unclaimed property.

- **Custodial Funds** account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals that are not required to be reported in pension (and other employee benefit) trust funds, investment funds, or private-purpose trust funds.

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets, current liabilities, deferred outflows of resources, and deferred inflows of resources are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees related to a future time period are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected by the state at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue if collectible within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by unavailable revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due. Certain liabilities including compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available spendable financial resources.

The state reports both unavailable and unearned revenues on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Unearned revenues arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and fiduciary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

All proprietary and fiduciary funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. ASSETS, LIABILITES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as "Cash and Cash Equivalents." The Office of the State Treasurer invests state treasury cash surplus where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, online at: https://tre.wa.gov/partners/for- local- governments/local- government- investment-pool-lgip/lgip-comprehensive-annual-financial-report/ or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

The fair value of certain pension trust fund investments that are organized as limited partnerships and have no readily ascertainable fair values (including real estate, private equity, and tangible assets) has been determined by using the net asset value per share of the Pension Funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value at the closest available reporting period, adjusted for subsequent activity. At June 30, 2021, these alternative investments are valued at $73.73 billion. Because of the inherent uncertainties in the estimation of fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2021, reported net asset value.

Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

All other investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Position, except for the net residual balances due between the governmental and business-type activities, which are reported as internal balances.

Amounts recorded in governmental and business-type activities as due to or from fiduciary funds have been reported as due to or from other governments.

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand at an inventory control point is estimated to be $50,000 or more. Consumable inventories are valued at cost using either the first-in, first-out or weighted average methods. Donated consumable inventories are recorded at fair value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method. Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a nonspendable fund balance indicating that they do not constitute "available spendable resources," except for $8.7 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

4. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by debt covenants, escrow arrangements, or other regulations.

5. Capital Assets

Capital assets are tangible and intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy.

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs.
- The state highway system operated by the Department of Transportation.
- Infrastructure, other than the state highway system, with a cost of $100,000 or more.
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more.
- Intangible assets, either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged.
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer.
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater.

Assets acquired by capital leases are capitalized if the assets' fair value meets the state's capitalization thresholds described above.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use (ancillary costs). Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets, works of art, and historical treasures are valued at their estimated acquisition value on the date of donation, plus all appropriate ancillary costs. When the acquisition value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2021, $88.0 million in interest costs were incurred, and $900 thousand net interest costs were capitalized.

State agencies are not required to capitalize art collections, library reserve collections, and museum and historical collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.

- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	3-50 years
Other improvements	3-50 years
Intangibles	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation/amortization of disposed capital assets are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed in the Required Supplementary Information. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets.
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale.
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding, pensions, other postemployment benefits (OPEB), and hedging derivative instruments.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the state relate to unavailable revenue, debt refunding, pensions, OPEB, and hedging derivative instruments.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds Balance Sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

7. Compensated Absences

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested (i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement). At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate its compensated absences obligations with future resources rather than advance funding it with available spendable financial resources.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Position.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is payable (i.e., upon employee's use, resignation, death or retirement). Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits, as applicable, as the leave is earned.

8. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Position. Bonds payable are reported net of applicable original issuance premiums or discounts. When material, bond premiums and discounts are deferred and amortized over the life of the bonds.

For governmental fund financial reporting, the face (par) amount of debt issued is reported as other financing sources. Premiums and discounts on original debt issuance are also reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

9. Fund Equity

In governmental fund type accounts, fund equity is called fund balance. Fund balance is reported in classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state Constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.

- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.

- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.

- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that the expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then use unrestricted resources as they are needed.

In fiduciary funds, net position is held in trust for individuals and external organizations.

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's Workers' Compensation Program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers' Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers' Compensation Fund, an enterprise fund, is used to account for the Workers' Compensation Program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the Workers' Compensation Program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLAs) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience, except for the Supplemental Pension Fund premiums which are based on a flat rate per hours worked independent of risk class or past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium-rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the Workers' Compensation Program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

The Workers' Compensation Program purchases catastrophe reinsurance for risks in excess of its retention on the workers' compensation insurance policy to reduce its exposure to the financial risks associated with a catastrophe. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Workers' Compensation Program as direct insurer of the risks reinsured.

Amounts that are recoverable from reinsurers and that relate to paid claims and claim adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts. Estimated amounts recoverable from reinsurers that relate to the liabilities for unpaid claims and claims adjustment expenses are deducted from those liabilities. Ceded unearned premiums are netted with related unearned premiums. Receivables and payables from the same reinsurer, including amounts withheld, are netted. Reinsurance premiums ceded and reinsurance recoveries on claims are netted against related earned premiums and incurred claims costs in the Statement of Revenues, Expenses, and Changes in Net Position.

The Department of Labor and Industries prepares a stand-alone financial report for its Workers' Compensation Program. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Labor and Industries, PO Box 44833, Olympia, WA 98504-4833 or by visiting their website at: https://lni.wa.gov/insurance/state-fund-financial-reports.

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Coverage is provided up to $10 million for each claim with no deductible. Commercial insurance is purchased for various liabilities arising from the operations of the Washington state governmental functions in order to limit the exposure to catastrophic losses. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, vision, dental, basic life, and basic long-term disability insurance coverage for eligible state employees and their dependents. In addition, the Washington Health Benefit Exchange, tribal governments, political subdivisions, and employee organizations representing state civil service employees can contract with the state to provide these benefits to their employees. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations.

Due to the addition of School Employees Benefits Board accounts in fiscal year 2020, the Health Insurance Fund, formerly accounted for as an internal service fund, is now accounted for as an enterprise fund.

The state's share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies.

The Health Care Authority (HCA), as administrator of the health care benefits programs, collects the monthly "premium" from agencies for each active employee. State employees self pay for coverage beyond the state's contribution. For non-state employees, their respective employers, who have contracted with the HCA to provide employee benefits, pay the cost of coverage. Former employees and employees who are temporarily not in pay status are able to pay for the full cost of coverage on a self-paid basis for medical and dental benefits. Most coverage is also available on a self-paid basis to eligible retirees. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered in addition to plans offered via the Uniform Medical Plan, the state's self-insured offering. The Uniform Medical Plan enrolled approximately 67 percent of the eligible subscribers in fiscal year 2021. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

2. Postemployment Benefits

COBRA. In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.

Medical Expense Plan. As disclosed in Note 1.D, at the time of separation from state service due to retirement or death, the state offers a 25 percent buyout of an employee's accumulated sick leave. Individual state agencies may offer eligible employees a medical expense plan (MEP) that meets the requirements of the Internal Revenue Code. Agencies offering an MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

Retirement Benefits. Refer to Note 11 Retirement Plans and Note 12 Other Postemployment Benefits.

3. Interfund/Interagency Activities

The state engages in two major categories of interfund/ interagency activity: reciprocal and nonreciprocal. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

4. Donor-restricted Endowments

The state of Washington reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. There is no state law that governs endowment spending; rather, the policies of individual university and college boards govern the spending of net appreciation on investments.

Under the current spending policies, distributions to programs approximate an annual percentage rate of 3.76 percent of a five-year rolling average of the endowments' market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $1.37 billion. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2
Accounting and Reporting Changes

Reporting Changes. Effective for fiscal year 2021 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Statement No. 90, *Majority Equity Interests*. This statement specifies that a majority equity interest in a legally separate organization should be reported as a component unit. The government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method if the definition of an investment is met. This statement did not have an impact on the financial statements.

GASB Statement No. 84 Implementation. The majority of activities previously classified as agency funds are now reported under the new custodial fund classification. To implement GASB Statement No. 84 in the custodial funds, $907.5 million in liabilities were reclassified, increasing net position by the same amount, including $232.0 million in Other Custodial Funds, $641.9 million in the Local Government Distributions Fund, and $33.6 million in the Retiree Health Insurance Fund.

To implement GASB Statement No. 84, the state performed a detailed analysis of existing accounts to evaluate account activities and fund type assignment to identify any financial reporting changes. As a result, the following funds were reclassified:

- An account was reclassified from a fiduciary fund to a governmental fund. This resulted in a beginning fund balance reduction of $41 thousand in the Private-Purpose Trust Fund, a fiduciary fund, and a beginning fund balance increase of $41 thousand in the Human Services Fund, a nonmajor special revenue fund.
- An account was reclassified from an enterprise fund to a fiduciary fund, resulting in a beginning fund balance increase of $518 thousand in the State Guaranteed Education Tuition Program Fund, a nonmajor enterprise fund, and a beginning fund balance reduction of $518 thousand in the Private-Purpose Trust Fund, a fiduciary fund.
- The beginning fund balance of the Higher Education Special Revenue Fund, a major governmental fund, was reduced by $1.3 million for non-custodial activities that were previously accounted for in an agency fund which had no fund balance.

Fund Reclassification. Effective fiscal year 2021, an account was reclassified from the Administrative Accounts in the General Fund to a fiduciary fund. This resulted in a beginning fund balance reduction of $106.4 million in the General Fund and an increase of $106.4 million in the Higher Education Retirement Plan Supplemental Benefit Fund, a pension (and other employee benefit) trust fund. The assets of the reclassified account were distributed in fiscal year 2021 to seven newly created higher education supplemental retirement plan funds – one for each higher education institution – that meet the definition of a trust or equivalent arrangements.

The Health Insurance Fund was reclassified from a nonmajor enterprise fund to a major enterprise fund.

Prior Period Adjustments. The Public Stadium Authority, a major component unit, recorded an increase in net position of $11 thousand for transactions reported in the component unit's fiscal year 2020 financial statements after the state of Washington's fiscal year 2020 Annual Comprehensive Financial Report was published.

The state also recorded an increase in net position of $3.3 million for Valley Medical Center, a major component unit, to adjust to its final audited ending net position for June 30, 2020.

Fund equity at July 1, 2020, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2020, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) at July 1, 2020, as restated
Governmental Funds:				
General	$ 4,779,117	$ (106,361)	$ —	$ 4,672,756
Higher Education	4,001,874	(1,259)	—	4,000,615
Higher Ed. Endowment & Other Permanent Funds	4,433,893	—	—	4,433,893
Nonmajor Governmental	6,629,293	41	—	6,629,334
Proprietary Funds:				
Enterprise Funds				
Workers' Compensation	(12,064,200)	—	—	(12,064,200)
Unemployment Compensation	3,571,282	—	—	3,571,282
Higher Education Student Services	853,733	—	—	853,733
Health Insurance	444,753	—	—	444,753
Nonmajor Enterprise	1,009,328	518	—	1,009,846
Internal Service Funds	(996,560)	—	—	(996,560)
Fiduciary Funds:				
Private-Purpose Trust Fund	6,560	(559)	—	6,001
Local Government Investment Pool	18,005,837	—	—	18,005,837
Pension (and Other Employee Benefit) Trust Funds	125,187,200	106,361	—	125,293,561
Custodial Funds	—	—	907,507	907,507
Component Units:				
Public Stadium Authority	229,787	—	11	229,798
Health Benefit Exchange	11,793	—	—	11,793
Valley Medical Center	275,292	—	3,255	278,547
Nonmajor Component Units	532,426	—	—	532,426

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Note 3
Deposits and Investments

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2021, $1.21 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $330 thousand uninsured/uncollateralized.

B. INVESTMENTS - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS (PENSION TRUST FUNDS)

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the pension trust funds is vested within the voting members of the Washington State Investment Board (WSIB). The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The pension trust funds consist of retirement contributions from employer and employee participants in the Washington State Retirement System and related earnings on those contributions. The Retirement System is administered by the Department of Retirement Systems. The WSIB has exclusive control of the investment of all money invested in the pension trust funds.

In accordance with RCW 43.33A.110, the WSIB manages the pension fund portfolio to achieve maximum return at a prudent level of risk. The WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed insurance contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate and other tangible assets, or other forms of private equity; asset-backed securities; and derivative instrument securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2021.

Commingled Trust Fund. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 19 separate retirement plans. These plans hold shares in the CTF which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell shares in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

In addition to share ownership in the CTF, each retirement plan holds short-term investments that are used to manage the cash needs of each retirement plan.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1 and 2/3; Teachers' Retirement System (TRS) Plans 1 and 2/3; School Employees' Retirement System (SERS) Plan 2/3; Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2 and the Benefits Improvement Fund; Washington State Patrol Retirement System Plans 1 and 2; Public Safety Employees' Retirement System Plan 2; Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund; and the Higher Education Retirement Pension (HERP) Supplemental Benefit Fund, which consists of plans for seven higher education entities: University of Washington, Washington State University, Eastern Washington University, Central Washington University, The Evergreen State College, Western Washington University, and the State Board for Community and Technical Colleges. The CTF includes both the defined benefit and defined contribution portions of PERS Plan 3, TRS Plan 3, and SERS Plan 3, which are hybrid defined benefit/defined contribution plans. The participants of those plans have the option to direct their contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

CTF Investment Policies and Restrictions. The CTF is comprised of public markets equities, fixed income securities, private equity investments, real estate, tangible assets, and an innovation portfolio. The CTF's performance objective is to exceed the return of two custom benchmarks, each consisting of public indices weighted according to asset allocation targets.

The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy is reviewed more frequently if there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the pension trust funds.

When market values fall outside policy ranges, assets are rebalanced first by using normal cash flows and then through reallocations of assets across asset classes. In cases of a major rebalancing, the pension trust funds can utilize futures, forward contracts, and options in order to maintain exposure within each asset class and reduce transaction costs. Major rebalancing can occur to bring asset classes within their target ranges or when the pension trust funds are transitioning managers.

Public Markets Equity. To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible consistent with prudent risk management and the desire for downside protection, with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified; provide diversification to the pension trust funds' overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

The public markets equity portion of the pension trust funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S., and emerging markets. The program has a global benchmark, currently the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index. A mix of external managers approved by the WSIB is used to manage the program. Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored appropriately. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

Fixed Income. The fixed income segment is managed to achieve the highest return possible consistent with the desire to manage interest rate and credit risk, provide diversification to the overall investment program, provide liquidity to the pension trust fund investment program, and to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index. Sources of outperformance are expected to include interest rate anticipation, sector rotation, credit selection, and diversification.

RCW 43.33A.140 prohibits a corporate fixed income issues cost from exceeding 3 percent of the CTF's market value at the time of purchase and 6 percent of its market value thereafter. However, the WSIB manages with a more restrictive concentration constraint, limiting exposure to any corporate issuer to 3 percent of the CTF fixed income portfolio's market value at all times.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par value in any single issuer with a quality rating below investment grade (as defined by Bloomberg Barclays Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio is targeted to be within plus or minus 25 percent of the duration of the Bloomberg Barclays U.S. Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges:

U.S. treasuries and government agencies	10% - 45%
Credit bonds	10% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	5% - 45%

Asset allocation policy constraints may, from time to time, place unintended burdens on the portfolios.

Therefore, policy exceptions are allowed under certain circumstances. These events include changes in market interest rates, portfolio rebalancing to strategic targets, and bond rating downgrades. The portfolio can remain outside of policy guidelines until it can be rebalanced without harming the portfolio.

Private Equity. Pension trust funds can be invested in any appropriate private equity investment opportunity that has the potential for returns superior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. These investment types are generally divided into venture capital, corporate finance, growth equity, special situations, distressed, mezzanine, and other investments. Private equity investments are made through limited partnership or direct investment vehicles.

The private equity investment portfolio is managed to exceed the returns of the MSCI All Country World Index Investable Market Index, lagged by one calendar quarter, by 300 basis points in the long run. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

Real Estate. The WSIB's real estate program is an externally managed pool of selected partnership investments intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The income generated from bond-like lease payments coupled with the hard asset qualities of commercial real estate combine to generate returns that are expected to fall between the return expectations for fixed income and equities over the long term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class.

The pension trust funds' real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the pension trust funds' investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions, and ongoing operational decisions for annual capital expenditures.

The pension trust funds may invest in any real estate opportunity demonstrating acceptable risk-adjusted returns, provided it is not prohibited by state law or WSIB policy. Investment structures may include real estate operating companies, joint ventures, commingled funds (closed or open-ended), and co-investments with existing WSIB real estate partners. Diversification within the real estate program is achieved through consideration of property type, capital structure, life cycle, geographic region, partner concentration, and property capital level.

The WSIB's real estate portfolio current benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period.

Tangible Assets. The primary goal of the tangible asset portfolio is to generate a long-term, predictable and persistent income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments is primarily targeted to those private funds or separate accounts providing the WSIB with the most robust governance provisions related to acquisitions, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. For diversification purposes, the tangible asset portfolio focuses on income-producing physical assets in the upstream and midstream segments of four main industries: minerals and mining, energy, agriculture, and society essentials.

The WSIB's current return objective for tangible assets calls for a target benchmark of 400 basis points above the U.S. Consumer Price Index over a long-term investment horizon defined as at least five years.

Innovation Portfolio. The innovation portfolio investment strategy is to provide the WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

Currently, there are eight investment strategies in the innovation portfolio involving private partnerships.

2. Valuation of Investments

The pension trust fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Changes in Net Position.

The following table presents fair value measurements as of June 30, 2021:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2021
(expressed in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt Securities				
Mortgage and other asset-backed securities	$ 2,197,502	$ —	$ 2,197,502	$ —
Corporate bonds	15,661,683	—	15,661,683	—
U.S. and foreign government and agency securities	6,587,924	—	6,587,924	—
Total Debt Securities	24,447,109	—	24,447,109	—
Equity Securities				
Common and preferred stock	25,887,402	25,824,134	61,986	1,282
Depository receipts and other miscellaneous	1,545,074	1,544,981	93	—
Mutual funds and exchange traded funds	76,793	76,793	—	—
Real estate investment trusts	404,315	404,315	—	—
Total Equity Securities	27,913,584	27,850,223	62,079	1,282
Alternative Investments				
Real estate	920,765	—	—	920,765
Tangible assets	408,931	395,413	—	13,518
Total Alternative Investments	1,329,696	395,413	—	934,283
Total Investments by Fair Value Level	53,690,389	$ 28,245,636	$ 24,509,188	$ 935,565
Investments Measured at Net Asset Value (NAV)				
Private equity	41,511,934			
Real estate	24,602,977			
Tangible assets	7,615,698			
Collective investment trust funds (equity securities)	18,681,423			
Total Investments Measured at the NAV	92,412,032			
Total Investments Measured at Fair Value	$ 146,102,421			
Other Assets (Liabilities) at Fair Value				
Collateral held under securities lending agreements	$ 249,453	$ —	$ 249,453	$ —
Net foreign exchange contracts receivable-forward and spot	5,148	—	5,148	—
Margin variation receivable-futures contracts	15,560	15,560	—	—
Obligations under securities lending agreements	(249,453)	—	(249,453)	—
Total Other Assets (Liabilities) Measured at Fair Value	$ 20,708	$ 15,560	$ 5,148	$ —

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Investments classified as level 1. Investments classified as level 1 in the previous table are exchange traded equity securities whose values are based on published market prices and quotations from national security exchanges as of the appropriate market close, as of each reporting period end.

Investments classified as level 2. Investments classified as level 2 in the previous table are primarily comprised of publicly traded debt securities and exchange traded stocks traded in inactive markets. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a debt security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments classified as level 3. Investments classified as level 3 in the previous table were publicly traded equity securities that have noncurrent or "stale" values and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from an active exchange, or lack of investor demand. The current market values of these securities are unknown.

Investments measured at net asset value (NAV). Investments measured at net asset value in the pension trust funds are the collective investment trust funds and alternative investments, including private equity, real estate, and tangible assets.

Collective Investment Trust Funds. The pension trust fund invests in three separate collective investment trust funds (fund). Each fund determines a fair value by obtaining fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded equity securities.

Two funds are passively managed to approximate the capitalization weighted total rates of return of the MSCI U.S. Investable Market Index and the MSCI Emerging Markets Investable Market Index. Each fund has daily openings and contributions, and withdrawals can be made on any business day. The fund managers, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund managers may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

The third fund seeks to achieve long-term capital appreciation through active investment management in emerging market countries. The index against which the fund compares its performance is the MSCI Emerging Market Index. The pension trust funds may redeem some or all of their holdings on each monthly valuation date. The fund manager may delay redemption proceeds if it determines that it is reasonably necessary to prevent a material adverse impact on the fund or other investors. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind.

Alternative Assets. The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the pension trust funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the closest available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $73.73 billion as of June 30, 2021. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2021, reported net asset value.

These investments can never be redeemed. Instead, the nature of these investments provides for distributions through the sale or liquidation of the underlying assets or from net operating cash flows. It is anticipated that the various investments within each asset class will be liquidated over the following periods:

Pension Trust Funds
Alternative Assets Expected Liquidation Periods
June 30, 2021
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Less than 3 years	$ 115,391	$ 4,257	$ 381	$ 120,029	0.2 %
3 to 9 years	3,793,733	2,131,046	638,878	6,563,657	8.9 %
10 or more years	37,602,810	22,467,674	6,976,439	67,046,923	90.9 %
Total	$ 41,511,934	$ 24,602,977	$ 7,615,698	$ 73,730,609	100.0 %

Private Equity. This includes 298 private equity limited liability partnerships that invest primarily in the United States, Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity. The fair value of individual capital account balances is based on the valuation reported by private equity partnerships using the following methodologies to value the underlying portfolio companies:

- Valuations of publicly traded portfolio companies are based on active exchanges using quoted market prices as of the close of trading for each month end.
- When a portfolio company investment does not have a readily available market price but has a return that is determined by reference to an asset for which a market price is readily available, valuations are based on the closing market price of the reference asset on the valuation date, adjusted for unique factors that affect the fair value of the investment held.
- When the portfolio company investments are private holdings and are not traded on active security exchanges, valuation methodologies consist primarily of income and market approaches. The income approach involves a discounted cash flow analysis based on portfolio companies' projections. The market approach involves valuing a company at a multiple of a specified financial measure, generally earnings before interest, taxes, depreciation, and amortization, based on multiples of comparable publicly traded companies.

Real Estate. This includes 25 real estate investments. Targeted investment structures within the real estate portfolio include real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments. Real estate partnerships provide quarterly valuations to the pension trust fund management based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are externally appraised generally every one to five years, depending upon the investment. Structured finance investments receive quarterly adjustments by the partners, generally applying the assumption that all such positions will be held to maturity. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

Tangible Assets. This includes 58 limited liability structures and funds. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

Other assets and liabilities measured at fair value. Forward exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points (based on the spot rate and currency interest rate differentials), which are all inputs that are observable in active markets (level 2).

Cash collateral held and the offsetting obligations under securities lending agreements are valued by the pension trust funds' lending agent and sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value, and do not involve an actual transfer of the specific instrument. The margin variation represents the current gain or loss remaining to be settled from the prior day. The custodial bank provides quoted prices for these securities from a reputable pricing vendor.

3. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2021, the pension trust funds

had total unfunded commitments of $34.22 billion in the following asset classes: $20.92 billion in private equity, $8.15 billion in real estate, and $5.15 billion in tangible assets.

4. Securities Lending

State law and WSIB policy permit the pension trust funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the pension trust funds in securities lending transactions. As State Street Corporation is the custodian bank for the pension trust funds, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2021, was approximately $468.2 million. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2021, cash collateral received totaling $249.5 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $249.5 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2021, was $240.0 million.

During the fiscal year, debt and equity securities were loaned and collateralized by the pension trust funds' agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2021 (in millions):

U.S. treasuries	$ 224.0
Repurchase agreements	139.9
Yankee CD	52.8
Commercial paper	29.5
Mortgage-backed securities	16.0
Cash equivalents and other	27.3
Total Collateral Held	$ 489.5

During fiscal year 2021, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2021, the cash collateral held had an average duration of 18.6 days and an average weighted final maturity of 43.3 days.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value could be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the pension trust funds by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2021, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2021 resulting from a default by either the borrowers or the securities lending agents.

5. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index. The fixed income portfolio's duration is targeted within plus or minus 25 percent of the duration of the portfolio's performance benchmark. As of June 30, 2021, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two following schedules provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2021. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Pension Trust Funds
Schedule of Maturities and Effective Duration
June 30, 2021
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	Maturity: 1-5 Years	Maturity: 6-10 Years	Maturity: More than 10 Years	Effective Duration (in years)*
Mortgage and other asset-backed securities	$ 1,565,283	$ 14,474	$ 1,506,422	$ 44,387	$ —	3.0
Corporate bonds	15,661,683	491,727	6,436,547	5,691,809	3,041,600	7.1
U.S. government and agency securities	4,124,161	100,219	3,061,617	539,352	422,973	4.8
Foreign government and agency securities	2,463,763	7,410	1,232,327	732,650	491,376	6.5
Total internally managed fixed income	23,814,890	613,830	12,236,913	7,008,198	3,955,949	6.4
Mortgage-backed TBA forwards	632,219	632,219	—	—	—	—
Total Investments Categorized	24,447,109	$ 1,246,049	$ 12,236,913	$ 7,008,198	$ 3,955,949	6.2
Investments Not Required to be Categorized:						
Cash and cash equivalents	4,052,741					
Equity securities	46,595,006					
Alternative investments	75,060,305					
Total investments not categorized	125,708,052					
Total Investments	$150,155,161					

* Excludes cash and cash equivalents

Credit ratings of investments are presented using the Moody's rating scale as follows:

Pension Trust Funds
Investment Credit Ratings
June 30, 2021
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Investment Type: Corporate Bonds	Investment Type: Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 2,197,189	$ 627,470	$ 115,490	$ 2,940,149
Aa1	—	144,201	234,605	378,806
Aa2	—	267,429	59,169	326,598
Aa3	—	772,002	209,636	981,638
A1	—	1,107,624	429,584	1,537,208
A2	—	1,712,144	67,514	1,779,658
A3	—	2,322,187	—	2,322,187
Baa1	—	2,036,500	80,008	2,116,508
Baa2	313	2,432,261	471,582	2,904,156
Baa3	—	2,072,448	285,518	2,357,966
Ba1 or lower	—	2,167,417	510,657	2,678,074
Total	$ 2,197,502	$ 15,661,683	$ 2,463,763	$ 20,322,948

6. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2021, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2021.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities. The pension trust funds do not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

7. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The pension trust funds do not have a formal policy to limit foreign currency risk. The WSIB manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer, to limit foreign currency and security risk.

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity, real estate, and tangible assets are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2021, of $694.2 million invested in one emerging market commingled equity investment trust fund.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2021
(expressed in thousands)

	Investment Type in U.S. Dollar Equivalent					
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Alternative Assets**	**Open Foreign Exchange Contracts-Net**	**Total**
Australia-Dollar	$ 1,699	$ 62,071	$ 550,946	$ 298,666	$ (1,039)	$ 912,343
Brazil-Real	3,776	—	354,303	—	524	358,603
Canada-Dollar	4,076	—	762,810	—	(501)	766,385
China-Yuan Renminbi	2,280	16,219	371,451	—	3,064	393,014
Denmark-Krone	105	—	303,434	—	145	303,684
E.M.U.-Euro	4,058	—	3,595,537	5,482,747	(1,033)	9,081,309
Hong Kong-Dollar	10,213	—	1,387,792	—	(19)	1,397,986
India-Rupee	2,427	—	267,545	—	(53)	269,919
Indonesia-Rupiah	100	—	54,626	—	—	54,726
Japan-Yen	23,041	—	3,277,871	—	13,833	3,314,745
Mexico-Peso	79	—	83,171	—	2,732	85,982
New Taiwan-Dollar	4,608	—	522,777	—	563	527,948
Norway-Krone	180	—	68,816	—	(68)	68,928
Singapore-Dollar	582	—	163,249	—	(4)	163,827
South Africa-Rand	2,109	—	58,676	39,406	(1,762)	98,429
South Korea-Won	1,099	—	633,311	—	134	634,544
Sweden-Krona	551	—	436,514	—	(1,017)	436,048
Switzerland-Franc	690	—	1,057,536	—	(3,584)	1,054,642
Thailand-Baht	200	—	61,985	—	—	62,185
United Kingdom-Pound	3,919	—	1,931,176	—	(4,782)	1,930,313
Uruguay-Peso	—	52,067	—	—	—	52,067
Other	1,197	35,279	262,871	—	(1,985)	297,362
Total	$ 66,989	$ 165,636	$ 16,206,397	$ 5,820,819	$ 5,148	$ 22,264,989

8. Derivative Instruments

Pension trust funds are authorized to utilize various derivative instrument financial instruments including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative instrument transactions involve, to varying degrees, market and credit risk. At June 30, 2021, the pension trust funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Revenues, Expenses, and Changes in Net Position in the period of change. The derivative instruments are considered investment derivative instruments and not hedging derivative instruments.

Derivative instruments are generally used to achieve the desired market exposure of a security, index, or currency; adjust portfolio duration; or rebalance the total portfolio to the target asset allocation. Derivative instrument contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors.

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an over the counter (OTC) contract, such as forward and total return swap contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivative instruments, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative instrument counterparty may fail to meet its payment obligation under the derivative instrument contract. As of June 30, 2021, the pension trust funds counterparty risk was approximately $60.8 million. The majority of the counterparties (60 percent) held a credit rating of Aa3 or higher on Moody's rating

scale. All counterparties held investment grade credit ratings of Baa2 and above.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. As such, gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio. Derivative instruments, which are exchange traded, are not subject to credit risk.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date in the future. These forward commitments are not standardized and carry counterparty credit risk due to the possible nonperformance by a counterparty. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote.

At June 30, 2021, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $5.1 million. The aggregate forward currency exchange contracts receivable and payable were $7.70 billion and $7.70 billion, respectively. The contracts have varying maturity dates ranging from July 1, 2021, to June 1, 2023.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The values of these contracts are highly sensitive to interest rate changes. As of June 30, 2021, the pension trust funds held no total return swap contracts.

At June 30, 2021, the pension trust funds' fixed income portfolio held derivative instrument securities consisting of collateralized mortgage obligations with a fair value of $106.0 million. Domestic and foreign commingled investment trust fund managers may also utilize various derivative instrument securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative instrument securities by these funds is unavailable.

The following schedule presents the significant terms for derivative instruments held as investments by the pension trust funds:

Pension Trust Funds
Derivative Instrument Investments
June 30, 2021
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	**Fair Value - Investment Derivative Instrument Amount**	**Notional**
Futures Contracts:			
Bond index futures	$ (66,632)	$ 17,240	$ 1,458,100
Equity index futures	242,640	(1,679)	646
Total	$ 176,008	$ 15,561	$ 1,458,746
Forward Currency Contracts	$ 22,128	$ 5,146	$ 7,737,003

C. INVESTMENTS - WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the Washington State Investment Board (WSIB). The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The Workers' Compensation Fund consists of contributions from employers and their employees participating in the state workers' compensation program and related earnings on those contributions. The workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

In accordance with state laws, the Workers' Compensation Fund investments are managed to limit fluctuations in the industrial insurance premiums. Subject to this purpose, these portfolios seek to achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and chapter 43.33A RCW. Eligible investments include:

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.
- Real estate.

Investment Policies and Restrictions. To meet stated objectives, investments of the Workers' Compensation Fund are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Asset allocations are to be reviewed every four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.

The WSIB has elected a gradual implementation plan to reach the strategic asset allocation. During this implementation period, if real estate is above or below its target due to timing or illiquidity, fixed income will be used to offset the balance.

Equity. The benchmark and structure for global equities will be the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index net with U.S. gross. The global equity portfolio will be passively managed in commingled index funds. The commingled fund managers may use futures for hedging or establishing a long position.

Fixed Income. It is the goal of the fixed income portfolios to match the target durations. The fixed income portfolios' required duration targets are to be reviewed every three years or sooner if there are significant changes in the funding levels or the liability durations.

Sector allocation of fixed income investments must be managed within the ranges presented below. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practical.

Target Allocations for the Fixed Income Sectors:	
U.S. treasuries and government agencies	5% - 25%
Credit bonds	20% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	0% - 25%

Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased,

portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. Total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of total market value of the funds.

Real Estate. The objectives and characteristics of the real estate portfolio are as follows:

- To generate a 6 percent annual investment return over a rolling 10-year period. This objective also serves as the total net return benchmark for the portfolio.
- The return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.
- The portfolio will be diversified across geography and property type.
- No more than 15 percent of the real estate portfolio will be invested in a single property after the program's build-out period.

2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The following table presents fair value measurements as of June 30, 2021:

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2021
(expressed in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,010,390	$ —	$ 1,010,390	$ —
Corporate bonds	12,081,992	—	12,081,992	—
U.S. and foreign government and agency securities	4,123,730	—	4,123,730	—
Total Investments by Fair Value Level	17,216,112	$ —	$ 17,216,112	$ —
Investments Measured at Net Asset Value (NAV)				
Commingled equity investment trusts	3,829,399			
Real estate	10,715			
Total investments measured at the NAV	3,840,114			
Total Investments Measured at Fair Value	$ 21,056,226			

Investments classified as level 2. Investments classified as level 2 in the above table are comprised of publicly traded debt securities. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments measured at net asset value (NAV). Investments measured at net asset value in the Workers' Compensation Fund include collective investment trust funds and alternative investments.

Collective Investment Trust Funds. The Workers' Compensation Fund invests in a single collective investment trust fund (fund). The fund is passively managed to track the investment of a broad, global equity index, the MSCI All Country World Investable Market Index net with U.S. gross. The fund determines a fair value by obtaining the values of underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings are publicly traded equity securities.

The fund has daily openings, and contributions and withdrawals can be made on any business day. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund manager may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

Alternative Investments. The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the Workers' Compensation Funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the most recently available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $10.7 million as of June 30, 2021. Because of the inherent uncertainties in estimating fair values, it is possible these estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2021, reported net asset value.

These investments can never be redeemed. Instead, the nature of these investments provides for distributions through the sale or liquidation of the underlying assets and from net operating cash flows. It is anticipated that the investments will be held for at least ten years or longer.

Real Estate. This includes one real estate investment. Targeted investment structures within the Workers' Compensation Fund real estate portfolio include limited liability companies, limited partnerships, joint ventures, commingled funds, and co-investments. Real estate partnerships generally provide quarterly valuations based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are externally appraised generally at least every five years, depending upon the investment. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

3. Securities Lending

State law and WSIB policy permit the Workers' Compensation Fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the Workers' Compensation Fund in securities lending transactions. As State Street Corporation is the custodian bank for the Workers' Compensation Fund, it is counterparty to securities lending transactions.

When debt securities are loaned during the fiscal year, they are collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities. No securities were lent by the Workers' Compensation Fund during the current fiscal year and, accordingly, no collateral was held at June 30, 2021.

Securities lending transactions can be terminated on demand by either the Workers' Compensation Fund or the borrower. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on-loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities are lent with the agreement that they will be returned in the future for exchange of the collateral. State Street Corporation indemnified the Workers' Compensation Fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2021, no securities were lent and, accordingly, there were no significant violations of legal or contractual provisions, and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2021 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into

decreases in fair values of fixed income investments. As of June 30, 2021, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The following two schedules provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2021. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2021
(expressed in thousands)

		Maturity				
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration (in years)***
Mortgage and other asset-backed securities	$ 1,010,390	$ 60,573	$ 838,682	$ 111,135	$ —	3.8
Corporate bonds	12,081,992	1,000,565	5,069,532	2,688,657	3,323,238	7.3
U.S. government and agency securities	2,616,989	65,736	1,420,864	635,182	495,207	6.9
Foreign government and agencies	1,506,741	206,325	831,414	381,277	87,725	4.8
Total Investments Categorized	17,216,112	$ 1,333,199	$ 8,160,492	$ 3,816,251	$ 3,906,170	6.8
Investments Not Required to be Categorized:						
Commingled investment trusts	3,829,399					
Cash and cash equivalents	249,145					
Real estate	10,715					
Total investments not categorized	4,089,259					
Total Investments	$ 21,305,371					

** Excludes cash and cash equivalents*

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2021
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agencies	Total Fair Value
Aaa	$ 1,010,390	$ 596,588	$ 276,426	$ 1,883,404
Aa1	—	177,752	270,882	448,634
Aa2	—	234,962	170,074	405,036
Aa3	—	959,986	251,045	1,211,031
A1	—	1,612,819	343,578	1,956,397
A2	—	2,471,058	30,563	2,501,621
A3	—	2,125,921	—	2,125,921
Baa1	—	1,762,477	—	1,762,477
Baa2	—	1,568,969	119,901	1,688,870
Baa3	—	441,752	39,112	480,864
Ba1 or lower	—	129,708	5,160	134,868
Total	$ 1,010,390	$ 12,081,992	$ 1,506,741	$ 14,599,123

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Fund investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The rated debt investments of the Workers' Compensation Fund as of June 30, 2021, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issues cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2021.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Workers' Compensation Fund would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Fund does not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Fund.

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2021, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $1.57 billion (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

The following schedule presents the exposure of the Workers' Compensation Fund to foreign currency risk. The schedule is stated in U.S. dollars.

Workers' Compensation Fund
Foreign Currency Exposure by Country
June 30, 2021
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 75,726
Brazil-Real	26,458
Canada-Dollar	111,441
China-Yuan Renminbi	19,789
Denmark-Krone	24,555
E.M.U.-Euro	315,526
Hong Kong-Dollar	148,082
India-Rupee	52,937
Japan-Yen	241,027
New Taiwan-Dollar	72,661
South Africa-Rand	17,307
South Korea-Won	67,378
Sweden-Krona	43,712
Switzerland-Franc	90,789
United Kingdom-Pound	149,493
Miscellaneous Foreign Currencies	109,619
Total	$ 1,566,500

7. Derivative Instruments

To manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns, the Workers' Compensation Fund is authorized to utilize various derivative instrument financial instruments including collateralized mortgage obligations, financial futures, forward contracts, interest rate and equity swaps, and options. Derivative instrument transactions involve, to varying degrees, market and credit risk. The Workers' Compensation Fund mitigates market risks arising from derivative instrument transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative instrument transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative instrument securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative instrument securities by passive equity index fund managers is unavailable.

At June 30, 2021, the only derivative instrument securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $382.6 million.

D. INVESTMENTS - LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification, and liquidity for external investment pools that elect to measure, for financial reporting purposes, all of its investments at amortized costs. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, WA 98504-0200, online at: https:// tre.wa.gov/ partners/ for- local- governments/ local-government- investment- pool- lgip/lgip-comprehensive-annual-financial-report/, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

Investment Objectives. In priority order, the objectives of the LGIP investment policy are safety, liquidity, and return on investment.

Safety of principal is the primary objective. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

The investment portfolio will remain liquid to enable the State Treasurer to meet all cash requirements that might reasonably be anticipated.

The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58 and 39.59 RCW, and RCW 43.84.080). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of supranational institutions provided that, at the time of investment, the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

Investment Restrictions. To provide for safety and liquidity of funds, the LGIP policy places the following restrictions on the investment portfolio:

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. government and supranational floating or variable rate securities which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates their amortized cost.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.
- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

Participant Transactions. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

2. Valuation of Investments

Investments are stated at amortized cost which approximates fair value. For bank deposits and repurchase agreements, the cost-based measure equals their carrying amount.

Monthly, the fair value net asset value per share is calculated and compared to the amortized cost net asset value per share to verify that the LGIP's shadow price does not deviate by more than one half of 1 percent from the amortized cost of the portfolio.

3. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP has contracted with Northern Trust as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non-coupon-bearing securities shall not be valued at less than 102 percent of fair value, not to exceed par.

The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During fiscal year 2021, the LGIP lent U.S. agency and U.S. treasury securities while other securities were received as collateral. At June 30, 2021, the fair value of securities on loan was $888.4 million and the fair value of securities received for collateral was $906.4 million.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2021, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the

amounts the borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the borrowers fail to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the fiscal year.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2021, the LGIP had a weighted average maturity of 36 days and a weighted average life of 78 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2021:

Local Government Investment Pool (LGIP)
Schedule of Maturities
June 30, 2021
(expressed in thousands)

		Maturity	
Investment Type	**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 4,069,183	$ 3,634,188	$ 434,995
Repurchase agreements	1,550,000	1,550,000	—
U.S. treasury securities	16,266,019	15,868,510	397,509
Interest bearing bank accounts	2,116,515	2,116,515	—
Supranational securities	426,241	426,241	—
Certificates of deposit	112,000	112,000	—
Total Investments	$ 24,539,958	$ 23,707,454	$ 832,504

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositories.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department.

Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and ensure the safety of the investment. All securities utilized in repurchase agreements were rated Aaa by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. treasury and U.S. agency securities, to no more than 5 percent of the portfolio.

Repurchase agreements comprise 6.3 percent of the total portfolio as of June 30, 2021. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2021, U.S. treasury securities comprised 66.3 percent of the total portfolio. U.S. agency securities comprised 16.6 percent of the total portfolio, including

Federal Farm Credit Bank (8.7 percent), Federal Home Loan Bank (6.9 percent), and Federal National Mortgage Association (1.0 percent). Supranational securities comprised 1.7 percent of the total portfolio.

6. Repurchase Agreements

The fair value plus accrued income of securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement plus accrued interest.

The securities utilized in repurchase agreements are limited to government securities, are priced daily, and are held by the LGIP's custodian in the state's name. As of June 30, 2021, repurchase agreements totaled $1.55 billion.

E. INVESTMENTS - HIGHER EDUCATION SPECIAL REVENUE, ENDOWMENT, AND STUDENT SERVICES FUNDS

1. Summary of Investment Policies

The investments of the University of Washington represent 82 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The University of Washington's Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the chief investment officer, carries out the day-to-day activities of the investment portfolios. The UWINCO Board, which consists of both Board of Regents' members and external investment professionals, serves as an advisory board to UWINCO.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2021, the Short-term and Intermediate-term Invested Funds Pools totaled $2.46 billion. The Invested Funds Long-term Pool owns units in the Consolidated Endowment Fund valued at $812.0 million on June 30, 2021. In addition, the Long-term Pool owns a passive global equity index valued at $141.0 million as of June 30, 2021.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 0.75 percent in fiscal year 2021. University Advancement received 3.0 percent of the average balances in endowment operating and gift accounts in fiscal year 2021. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure in the CEF under comprehensive prudent standards.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0 percent to 4.5 percent. A three-year phased reduction was implemented to cushion the impact on University units, starting with a 4.9 percent spending rate in fiscal year 2020 followed by a 4.7 percent spending rate in fiscal year 2021. Under the CEF spending policy, quarterly distributions to programs are based on an annual percentage rate of 3.76 percent applied to the five-year rolling average of the CEF's market value. The reduction to 4.5 percent will be in full effect for fiscal year 2022 and beyond.

Additionally, the policy allows for an administrative fee of 0.94 percent to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. All endowments are recorded at the original gift value at June 30, 2021.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $89.8 million in fiscal year 2021 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2021, was $1.19 billion.

2. Valuation of Investments

The University reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University holds significant amounts of investments that are measured at fair value on a recurring basis.

The following schedule presents the fair value of the University's investments by type at June 30, 2021:

University of Washington
Investments Measured at Fair Value
June 30, 2021
(expressed in thousands)

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fixed Income Securities				
U.S. treasury	$ 1,759,679	$ 18,629	$ 1,741,050	$ —
U.S. government agency	406,941	12,798	394,143	—
Mortgage-backed	251,384	—	251,384	—
Asset-backed	424,420	—	424,420	—
Corporate and other	206,137	22,774	183,363	—
Total Fixed Income Securities	3,048,561	54,201	2,994,360	—
Equity Securities				
Global equity investments	639,501	634,313	5,188	—
Private equity and venture capital funds	—	—	—	—
Real estate	25,678	20,442	—	5,236
Other	10,189	—	—	10,189
Total Equity Securities	675,368	654,755	5,188	15,425
Externally managed trusts	153,793	—	—	153,793
Total Investments by Fair Value Level	3,877,722	$ 708,956	$ 2,999,548	$ 169,218
Investments Measured at Net Asset Value (NAV)				
Global equity investments	2,062,207			
Absolute return strategy funds	714,894			
Private equity and venture capital funds	854,297			
Real asset funds	170,996			
Other	55,270			
Total Investments Measured at the NAV	3,857,664			
Total Investments Measured at Fair Value	7,735,386			
Cash equivalents at amortized cost	393,556			
Total Investments	$ 8,128,942			

Investments classified as level 1. Fixed income and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments classified as level 2. Fixed income and equity securities classified in level 2 are valued using other observable inputs including quoted prices for similar securities and interest rates.

Investments classified as level 3. Real estate and other investments classified in level 3 are valued using either discounted cash flow or market comparable techniques.

Investments measured at net asset value. The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on net asset value (NAV) estimates used as a practical expedient and reported to the University by investment fund managers.

The information related to investments measured at the NAV per share (or its equivalent) is presented in the following table:

University of Washington
Investments Measured at the Net Asset Value
June 30, 2021
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 2,062,207	$ —	Monthly to annually	15-180 days
Absolute return strategy funds	714,894	—	Quarterly to annually	30-90 days
Private equity and venture capital funds	854,297	554,603	n/a	—
Real asset funds	170,996	85,166	n/a	—
Other	55,270	2,156	Quarterly to annually	30-95 days
Total Investments Measured at the NAV	$ 3,857,664			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only commingled funds, unconstrained limited partnerships, and passive market indices. As of June 30, 2021, approximately 79 percent of the value of the investments in this category can be redeemed within 90 days, and approximately 94 percent can be redeemed within one year.

Absolute Return. This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Approximately 82 percent of the value of the investments in this category can be redeemed within one year.

Private Equity and Venture Capital. This category includes buyout, venture, and special situations funds. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next one to ten years.

Real Assets. This category includes real estate, natural resources, and other hard assets. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next one to ten years.

Other. This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Approximately 37 percent of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contain restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2021, the University had outstanding commitments to fund alternative investments in the amount of $641.9 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform while controlling the interest rate risk in the portfolio.

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.95 years at June 30, 2021.

5. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative

perceptions of the issuer's ability to make these payments will cause prices to decline. The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' short-term pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' intermediate-term pool requires each manager to maintain an average quality rating of A and to hold at least 25 percent of their portfolios in government and government agency issues. The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy regarding custodial credit risk. However, all University investments in the CEF and the Invested Funds Pool are held in the name of the University and are not subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The CEF investment policy limits concentration by manager, country (other than U.S.), and market sector. The University further mitigates concentration of credit risk through the due diligence of each manager and careful monitoring of asset concentrations.

Duration is a calculation of the number of years required to recover the true cost of a bond. The duration presented below represents a broad average across all fixed income securities held in the CEF, Invested Funds Pool (IF or operating funds), and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

The following schedule summarizes the composition of the fixed income securities along with credit quality and effective duration measures at June 30, 2021. The schedule excludes $31.5 million of fixed income securities held by component units. These amounts make up 1.03 percent of the University's fixed income investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2021
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasury securities	$ 1,741,050	$ —	$ —	$ —	$ 1,741,050	1.76
U.S. government agency	402,551	—	—	—	402,551	3.66
Mortgage-backed	—	129,171	58,852	63,361	251,384	2.00
Asset-backed	—	367,299	14,682	42,439	424,420	0.83
Corporate and other	—	87,908	27,684	82,068	197,660	2.51
Total	$ 2,143,601	$ 584,378	$ 101,218	$ 187,868	$ 3,017,065	1.95

* Investment grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's.

6. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2021, of $1.81 billion.

The following schedule, stated in U.S. dollars, details the market value of foreign denominated securities by currency type:

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2021
(expressed in thousands)

Foreign Currency	Amount
Australia-Dollar	$ 26,735
Brazil-Real	102,402
Britain-Pound	138,836
Canada-Dollar	60,192
China-Renminbi	390,837
E.M.U.-Euro	176,789
Hong Kong-Dollar	58,543
India-Rupee	199,687
Japan-Yen	258,092
Norway-Krone	21,369
Russia-Ruble	19,404
Singapore-Dollar	54,863
South Africa-Rand	21,624
South Korea-Won	67,748
Sweden-Krona	45,463
Switzerland-Franc	43,872
Taiwan-Dollar	36,479
Remaining currencies	91,819
Total	$ 1,814,754

7. Derivative Instruments

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

As of June 30, 2021, the University had outstanding futures contracts with notional amounts totaling $232.6 million and accumulated unrealized gains on these contracts totaled $760 thousand. These accumulated unrealized gains are included in investments on the Statement of Net Position.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2021. The University had no hedging derivative instruments or derivative instruments for investment purposes as of June 30, 2021.

Details on foreign currency derivative instruments are disclosed under Foreign Currency Risk.

F. INVESTMENTS - OFFICE OF THE STATE TREASURER CASH MANAGEMENT ACCOUNT

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2021, a portion of the investment income reported by the General Fund was earned by other funds.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

Investment Objectives. All Treasury/Trust funds will be invested in conformance with federal, state, and other legal requirements. The primary objectives of the portfolio shall be safety and liquidity, with return on investment a secondary objective.

Investments shall be undertaken in a manner that seeks preservation of capital in the overall portfolio. Because the investment portfolio must remain liquid to enable the State Treasurer to meet all cash requirements that can reasonably be anticipated, investments will be managed to maintain cash balances needed to meet daily obligations of the state. After assuring needed levels of safety and liquidity, the investment portfolio will be structured to attain a market rate of return.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 43.250, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- U.S. dollar denominated obligations of supranational institutions, provided that at the time of investment the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored enterprises that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.

- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board (WSIB) regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the OST adheres to the investment policies and procedures adopted by the WSIB (RCW 43.84.080(7)).
- Investment deposits with financial institutions qualified by the Washington Public Deposit Protection Commission (RCW 39.58.010(9)) and deposits made pursuant to RCW 39.58.080.
- Local Government Investment Pool (LGIP).
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of Treasury/Trust funds, the Cash Management Account investment portfolio is subject to the minimum restrictions listed below. Certain investment instruments are subject to more restrictive limitations.

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations is not allowed.
- The allocation to investments subject to high price sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

Additionally, investments in non-government securities, excluding collateral of repurchase agreements, must fall within prescribed limits.

Limitations and Restrictions on LGIP Participant Withdrawals. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

2. Valuation of Investments

The OST reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The following table presents fair value measurements as of June 30, 2021:

Office of the State Treasurer
Cash Management Account
Investments Measured at Fair Value
June 30, 2021
(expressed in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
U.S. government securities	$ 5,234,420	$ —	$ 5,234,420	$ —
U.S. agency securities	1,897,661	—	1,897,661	—
Supranational securities	1,967,223	—	1,967,223	—
Corporate notes	438,162	—	438,162	—
Total Investments Measured at Fair Value	$ 9,537,466	$ —	$ 9,537,466	$ —

Investments classified as level 2. The debt securities classified as level 2 in the above table are valued using observable inputs including quoted prices for similar securities and interest rates.

3. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Northern Trust Company as a lending agent and receives a share of income earned from this activity. The lending agent lends U.S. government, U.S. agency, and supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements, deposit accounts, or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2021, there was no cash collateral from securities lending.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2021, the fair value of securities on loan totaled $696.4 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2021, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions, and there were no losses resulting from a default of a borrower or lending agent during the fiscal year.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Treasury/Trust investments are separated into portfolios with objectives based primarily on liquidity needs.

The OST's investment policy limits the weighted average maturity of its investments based on cash flow expectations. Policy also directs due diligence to be exercised with timely reporting of material deviation from expectations and actions taken to control adverse developments as may be possible.

The following schedules present the OST investments and related maturities, and provide information about the associated interest rate risks as of June 30, 2021:

Office of the State Treasurer
Cash Management Account
Schedule of Maturities
June 30, 2021
(expressed in thousands)

		Maturity		
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**
U.S. government securities	$ 5,384,947	$ 671,161	$ 4,713,786	$ —
U.S. agency securities	1,941,660	525,307	1,416,353	—
Supranational securities	2,654,526	813,334	1,816,246	24,946
Corporate notes	438,162	34,749	403,413	—
Investments with LGIP	3,136,884	3,136,884	—	—
Certificates of deposit	63,047	63,047	—	—
Interest bearing bank accounts	233,777	233,777	—	—
Total Investments	$ 13,853,003	$ 5,478,259	$ 8,349,798	$ 24,946

Credit ratings of investments are presented using the Standard and Poor's (S&P) rating scale as follows:

Office of the State Treasurer
Cash Management Account
Investment Credit Ratings
June 30, 2021
(expressed in thousands)

	Investment Type		
S&P Credit Rating	**Corporate Notes**	**Supranationals**	**Total Fair Value**
AAA	$ 36,753	$ 2,654,526	$ 2,691,279
AA+	36,650	—	36,650
AA	64,706	—	64,706
AA-	35,741	—	35,741
A+	52,091	—	52,091
A	147,197	—	147,197
A-	30,462	—	30,462
Unrated	34,562	—	34,562
Total	$ 438,162	$ 2,654,526	$ 3,092,688

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in to U.S. government and agency securities, U.S. dollar denominated obligations of supranational institutions, commercial paper, corporate notes, and deposits with qualified public depositaries. Investments in non-government securities may not exceed set percentages of the total daily portfolio size.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and ensure the safety of the investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST adheres to the WSIB policy on commercial paper and corporate notes investments which limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 3 percent of the portfolio to any single issuer.

6. Repurchase Agreements

Repurchase agreements and securities accepted for repurchase agreements are subject to the following additional restrictions:

- Transactions will be conducted under the terms of a written master repurchase agreement and only with primary dealers, the state's bank of record, or master custodial bank.
- Purchased securities utilized in repurchase agreements will be limited to government securities. Repurchase agreements with any single primary dealer or financial institution will not exceed 20 percent of the portfolio. The maximum term of repurchase agreements will be 180 days. The share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30 percent of the total portfolio.
- Securities utilized in repurchase agreements with a maturity date longer than seven days are priced at least weekly and are held by the Treasury/Trust custodian in the state's name.
- The market value, plus accrued income, of securities utilized in repurchase agreements will be priced at 102 percent of the value of the repurchase agreement, plus accrued income.

The OST invested in repurchase agreements during fiscal year 2021. There were no repurchase agreements as of June 30, 2021.

Note 4
Receivables and Unearned/Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2021, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 2,145,719	$ —	$ —	$ 10,553	$ 2,156,272
Sales	2,037,109	4,884	—	30,456	2,072,449
Business and occupation	1,131,869	38,948	—	795	1,171,612
Estate	—	11,451	—	—	11,451
Fuel	—	—	—	163,640	163,640
Beer and wine	—	—	—	6,358	6,358
Marijuana	—	—	—	48,224	48,224
Real estate excise	6,724	676	—	1,195	8,595
Insurance Premium	68	—	—	—	68
Public utilities	52,297	2,181	—	—	54,478
Hazardous substance	—	—	—	24,416	24,416
Other	2,427	2	—	1,637	4,066
Subtotal	5,376,213	58,142	—	287,274	5,721,629
Less: Allowance for uncollectible receivables	720,388	2,974	—	4,573	727,935
Total Taxes Receivable	$ 4,655,825	$ 55,168	$ —	$ 282,701	$ 4,993,694

Receivables
Receivables at June 30, 2021, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [1]	$ 419,678	$ —	$ —	$ —	$ 419,678
Accounts receivable	949,334	568,786	165,971	499,522	2,183,613
Interest	17,593	9,288	4,035	10,573	41,489
Loans [2]	6,077	85,610	—	591,308	682,995
Long-term contracts [3]	4,205	—	14,758	103,844	122,807
Miscellaneous	1,121	724	—	374	2,219
Subtotal	1,398,008	664,408	184,764	1,205,621	3,452,801
Less: Allowance for uncollectible receivables	459,837	86,034	—	119,685	665,556
Total Receivables	$ 938,171	$ 578,374	$ 184,764	$ 1,085,936	$ 2,787,245

Notes:
(1) Public assistance receivables mainly represent amounts owed to the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.
(2) Significant long-term portions of loans receivable include $69.5 million in the Higher Education Special Revenue Fund for student loans and $549.5 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.
(3) Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

State of Washington

Unearned Revenue
Unearned revenue at June 30, 2021, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 5,761	$ —	$ —	$ —	$ 5,761
Charges for services	46,927	268,865	—	31,483	347,275
Donable goods	—	—	—	5,042	5,042
Grants and donations [1]	3,011,398	23,311	—	8,148	3,042,857
Tolls	—	—	—	29,033	29,033
Transportation	—	—	—	22,734	22,734
Miscellaneous	1,036	12,623	—	8,764	22,423
Total Unearned Revenue	$ 3,065,122	$ 304,799	$ —	$ 105,204	$ 3,475,125

Notes:
(1) Unearned revenue from grants and donations includes $2.88 billion in federal stimulus funds received during fiscal year 2021 from the U.S. Department of the Treasury under the American Rescue Plan and the Coronavirus Aid, Relief, and Economic Security (CARES) Act, but not yet spent.

Unavailable Revenue
Unavailable revenue at June 30, 2021, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 2,010,474	$ —	$ —	$ 924	$ 2,011,398
Other taxes	988,560	7,929	—	11,908	1,008,397
Timber sales	4,205	—	14,758	103,844	122,807
Transportation	—	—	—	3,562	3,562
Charges for services	4,578	—	—	5,032	9,610
Miscellaneous	8,479	—	—	12,350	20,829
Total Unavailable Revenue	$ 3,016,296	$ 7,929	$ 14,758	$ 137,620	$ 3,176,603

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2021, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
Accounts receivable	$ 931,790	$ 1,040,289	$ 409,023	$ 30,687	$ 262,348	$ 2,674,137	$ 19,178
Interest	113,356	—	812	790	1,941	116,899	77
Investment trades pending	—	—	—	—	1,079	1,079	—
Loans	—	—	1	—	—	1	1
Miscellaneous	64	—	354	—	—	418	80
Subtotal	1,045,210	1,040,289	410,190	31,477	265,368	2,792,534	19,336
Less: Allowance for uncollectible receivables	219,361	402,178	18,787	818	57	641,201	1,481
Total Receivables	$ 825,849	$ 638,111	$ 391,403	$ 30,659	$ 265,311	$ 2,151,333	$ 17,855

Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Total	Internal Service Funds
Charges for services	$ —	$ —	$ 148,921	$ 1,740	$ 466	$ 151,127	$ 3,870
Grants and donations	—	—	—	—	1,453	1,453	—
Premiums and assessments	7,381	—	—	—	38,530	45,911	—
Miscellaneous	—	—	363	—	3	366	—
Total Unearned Revenue	$ 7,381	$ —	$ 149,284	$ 1,740	$ 40,452	$ 198,857	$ 3,870

Taxes Receivables

Taxes receivables at June 30, 2021, consisted of $3.7 million for petroleum products, net of allowance.

C. FIDUCIARY FUNDS

Other Receivables

Receivables at June 30, 2021, consisted of $14.8 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2021, consisted of $821 thousand for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5
Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2021, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ —	$ 1,007,051	$ —	$ 636,710	$ 154
Higher Education Special Revenue	109,937	—	512,923	61,765	906
Higher Education Endowment	—	—	—	12	—
Nonmajor Governmental Funds	65,764	2,478	2,847	360,481	23
Workers' Compensation	140	13	—	57	—
Unemployment Compensation	1,522	1,097	—	555	174
Higher Education Student Services	—	4,530	—	192	45
Health Insurance	—	—	—	—	—
Nonmajor Enterprise Funds	13,593	31	—	2,052	101
Internal Service Funds	35,079	20,893	—	25,182	4,637
Totals	$ 226,035	$ 1,036,093	$ 515,770	$ 1,087,006	$ 6,040

Except as noted below, interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred.

Interfund balances include: (1) a $6.1 million loan from the General Fund to a nonmajor governmental fund which is expected to be paid over the next two years, and (2) $128.1 million on a revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $113.3 million within the state's Pension Trust Funds.

	Due From						
Due To	Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
General	$ 55	$ 18	$ 425	$ 30,846	$ 225,254	$ —	$ 1,900,513
Higher Education Special Revenue	67	217,236	170	143	26,915	—	930,062
Higher Education Endowment	—	—	—	—	—	—	12
Nonmajor Governmental Funds	1,604	5	—	582	18,112	—	451,896
Workers' Compensation	1	5	—	6	7	—	229
Unemployment Compensation	—	3	—	2	15	—	3,368
Higher Education Student Services	—	—	—	—	4,117	—	8,884
Health Insurance	—	—	—	—	—	—	—
Nonmajor Enterprise Funds	1	1	—	59,044	45	—	74,868
Internal Service Funds	43	1,164	148	812	16,717	90	104,765
Totals	$ 1,771	$ 218,432	$ 743	$ 91,435	$ 291,182	$ 90	$ 3,474,597

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2021, consisted of the following (expressed in thousands):

Transferred From	Transferred To: General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ —	$ 46,058	$ 300	$ 1,570,895	$ 75
Higher Education Special Revenue	167,843	—	26,440	173,633	—
Higher Education Endowment	—	189,262	—	41,674	—
Nonmajor Governmental Funds	577,305	156,206	1,480	1,103,370	—
Workers' Compensation	1,326	—	—	—	—
Unemployment Compensation	—	—	—	—	—
Higher Education Student Services	—	585,427	—	4,123	—
Health Insurance	33,928	—	—	1,003	—
Nonmajor Enterprise Funds	237,285	—	—	14,679	—
Internal Service Funds	—	19,785	—	11,480	—
Fiduciary Funds	2,109	—	—	—	—
Totals	$ 1,019,796	$ 996,738	$ 28,220	$ 2,920,857	$ 75

Transferred From	Transferred To: Unemployment Compensation	Higher Education Student Services	Health Insurance	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
General	$ —	$ —	$ 8,896	$ 20,057	$ 16,849	$ —	$ 1,663,130
Higher Education Special Revenue	—	637,172	—	—	20,849	—	1,025,937
Higher Education Endowment	—	—	—	—	—	—	230,936
Nonmajor Governmental Funds	82,000	—	—	—	—	—	1,920,361
Workers' Compensation	—	—	—	—	—	—	1,326
Unemployment Compensation	—	—	—	—	—	—	—
Higher Education Student Services	—	—	—	—	414	—	589,964
Health Insurance	—	—	—	—	—	—	34,931
Nonmajor Enterprise Funds	—	—	—	—	—	—	251,964
Internal Service Funds	—	—	—	—	—	—	31,265
Fiduciary Funds	—	—	—	—	—	—	2,109
Totals	$ 82,000	$ 637,172	$ 8,896	$ 20,057	$ 38,112	$ —	$ 5,751,923

Except as noted below, transfers are used to (1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, (2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move profits from the Lottery Fund as required by law, and (5) transfer amounts to and from the General Fund as required by law.

During fiscal year 2021, in accordance with budget and other legal provisions, there was a one-time transfer of $1.82 billion from the Budget Stabilization Account (BSA) to the General Fund to assist in pandemic-related costs. In addition, $1.00 billion was transferred from the General Fund to the Washington Rescue Plan Transition Account for responding to the coronavirus pandemic (COVID-19) including activities related to education, human services, health care, and the economy. The BSA and Washington Rescue Plan Transition Account are reported as Administrative Accounts within the General Fund.

On June 30, 2021, $269.5 million was transferred from the General Fund Basic Account to the BSA in accordance with the provisions of the state Constitution. The state 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.

In addition to the transfers noted in the schedule above, there were transfers of $103.4 million within the state's Pension Trust Funds.

Note 6
Capital Assets

Capital assets at June 30, 2021, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2021 (expressed in thousands):

Capital Assets	Balances July 1, 2020	Additions	Deletions/ Adjustments	Balances June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	$ 2,896,094	$ 53,810	$ (17,116)	$ 2,932,788
Transportation infrastructure	26,100,380	474,850	—	26,575,230
Intangible assets - indefinite lives	37,163	—	—	37,163
Art collections, library reserves, and museum and historical collections	153,774	2,385	(2)	156,157
Construction in progress	1,531,098	533,008	(573,853)	1,490,253
Total Capital Assets, Not Being Depreciated	30,718,509			31,191,591
Capital Assets, Being Depreciated:				
Buildings	15,410,742	716,011	(38,306)	16,088,447
Accumulated depreciation	(6,784,885)	(424,425)	14,269	(7,195,041)
Net buildings	8,625,857			8,893,406
Other improvements	1,654,568	42,128	(5,224)	1,691,472
Accumulated depreciation	(938,106)	(48,162)	1,811	(984,457)
Net other improvements	716,462			707,015
Furnishings, equipment, and intangible assets	6,164,800	297,780	(162,567)	6,300,013
Accumulated depreciation	(3,997,372)	(318,359)	140,203	(4,175,528)
Net furnishings, equipment, and intangible assets	2,167,428			2,124,485
Infrastructure	1,317,960	65,963	—	1,383,923
Accumulated depreciation	(717,451)	(41,841)	—	(759,292)
Net infrastructure	600,509			624,631
Total Capital Assets, Being Depreciated, Net	12,110,256			12,349,537
Governmental Activities Capital Assets, Net	$ 42,828,765			$ 43,541,128

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2021 (expressed in thousands):

Capital Assets	Balances July 1, 2020	Additions	Deletions/ Adjustments	Balances June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	$ 74,401	$ 320	$ —	$ 74,721
Intangible assets - indefinite lives	4,580	—	—	4,580
Art collections	40	—	—	40
Construction in progress	249,370	151,160	(93,593)	306,937
Total Capital Assets, Not Being Depreciated	328,391			386,278
Capital Assets, Being Depreciated:				
Buildings	4,593,767	76,684	(2,732)	4,667,719
Accumulated depreciation	(1,705,734)	(148,634)	1,948	(1,852,420)
Net buildings	2,888,033			2,815,299
Other improvements	124,479	32,263	(223)	156,519
Accumulated depreciation	(71,270)	(4,449)	(73)	(75,792)
Net other improvements	53,209			80,727
Furnishings, equipment, and intangible assets	883,012	27,378	(8,354)	902,036
Accumulated depreciation	(750,280)	(52,476)	7,357	(795,399)
Net furnishings, equipment, and intangible assets	132,732			106,637
Infrastructure	59,753	4,780	(20)	64,513
Accumulated depreciation	(34,277)	(3,569)	20	(37,826)
Net infrastructure	25,476			26,687
Total Capital Assets, Being Depreciated, Net	3,099,450			3,029,350
Business-Type Activities Capital Assets, Net	$ 3,427,841			$ 3,415,628

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2021, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	94,951
Education - elementary and secondary (K-12)		6,081
Education - higher education		480,837
Human services		47,878
Adult corrections		43,106
Natural resources and recreation		45,257
Transportation		114,677
Total Depreciation Expense - Governmental Activities *	$	832,787
Business-Type Activities:		
Workers' compensation	$	4,371
Unemployment compensation		—
Higher education student services		202,274
Health Insurance		52
Other		2,431
Total Depreciation Expense - Business-Type Activities	$	209,128

* Includes $95.9 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2021, are as follows (expressed in thousands):

Continued

Agency / Project Commitments		Construction in Progress June 30, 2021		Remaining Project Commitments
Office of the Secretary of State:				
Library-Archives building	$	1,943	$	123,078
Department of Enterprise Services:				
East Plaza water infiltration and elevator, Capitol Campus Childcare Center, and other projects		27,441		335
Department of Labor and Industries:				
Division of Occupational Safety and Health Lab, and Training Facility		4,052		49,151
Military Department:				
Thurston County, Centralia, and Tri-Cities Readiness Centers, and other projects		70,509		11,856
Department of Social and Health Services:				
Residential, rehabilitation, and other facilities		41,164		77,130
State hospitals / treatment centers		94,119		177,324
Department of Children, Youth, and Family:				
Green Hill school recreation center replacement and other miscellaneous projects		5,610		41,855
Department of Corrections:				
Correctional center units security and safety improvements		6,804		21,335
Other projects		8,048		10,921
Center for Deaf and Hard of Hearing Youth:				
Academic and physical education facility		774		54,130
Department of Transportation:				
Olympic Region and Northwest Region Headquarters building projects		80,166		3,666
State ferry vessels and terminals, and other projects		523,094		121,424
Transportation infrastructure		—		3,650,739
Other miscellaneous projects		1,621		705
State Parks and Recreation Commission:				
Beverly bridge rehabilitation and other miscellaneous projects		4,183		6,852
Department of Fish and Wildlife:				
Soos Creek, Naselle, and Wallace River hatcheries, Deschutes watershed, and other projects		77,031		130,514
Employment Security Department:				
Family and Medical Leave system		59,496		10,623
Long-Term Services and Support system		7,897		10,091

Concluded

Agency / Project Commitments	Construction in Progress June 30, 2021	Remaining Project Commitments
University of Washington:		
Health Sciences Center, Harborview Research and Training building restoration, Behavioral Health teaching facility, Founders Hall, UW Bothell/Cascadia College Science, Technology, Engineering, Math (STEM), and UW Tacoma renovation projects	$ 197,330	$ 159,527
Intercollegiate Athletics (ICA) Softball Performance Center, and other projects	5,441	1,701
Student housing, campus bike house program, and other projects	66	307
UW Medical Center expansion, upgrades, and renovation projects	147,555	10,760
Washington State University:		
Chief Joseph building and other housing projects	2,469	239
Modernization initiative, Vancouver Life Sciences building, and other facility projects	20,151	17,431
Smith gym renovation, and utilities for indoor practice facility	68	7
Campus upgrades and renovation projects	2,116	328
Eastern Washington University:		
Science Center renovation, energy plant, housing improvements, and other projects	8,573	20,302
Central Washington University:		
Health Science Building, and other projects	54,728	—
Western Washington University:		
Engineering & Computer Science Building, and other projects	4,008	70,392
New residence hall	55,905	11,320
Science building addition and renovation	53,109	14,217
Community and Technical Colleges:		
Bates Allied Health Science Center	34,107	8,045
Columbia Basin student recreation center	15,747	211,807
Edmonds Science, Technology, Engineering, Math (STEM) building	47,096	6,623
Pierce parking garage	6,676	34,763
Seattle South Automotive Technology building renovation	17,280	270
Seattle wellness center, library renovation, and miscellaneous projects	12,403	4,146
Other miscellaneous community college projects	64,762	9,657
Other Agency Projects:	33,648	10,937
Total Construction in Progress	$ 1,797,190	$ 5,094,508

Note 7
Long-Term Liabilities

A. BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2021, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state Constitution and enabling statutes authorize the incurrence of state general obligation debt, to which the state's full faith, credit, and taxing power are pledged, either by the Legislature or by a body designated by statute (presently the State Finance Committee).

Authorization arises in the following situations:

- From an affirmative vote of 60 percent of the members of each house of the Legislature without voter approval, in which case the amount of such debt is generally subject to the constitutional debt limitation described below.
- When authorized by law for a distinct work or object and approved by a majority of the voters voting thereon at a general election or a special election called for that purpose, in which case the amount of the debt so approved is not subject to the constitutional debt limitations described below.
- By the State Finance Committee without limitation as to amount, and without approval of the Legislature or approval of the voters.

The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) meeting temporary deficiencies of the state treasury if such debt is discharged within 12 months of the date of incurrence and is incurred only to provide for appropriations already made by the Legislature; or (2) refunding of outstanding obligations of the state.

Legal Debt Limitation

The state Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.25 percent and will decline to 8.00 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years. The state Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2021 is $1.70 billion.

This computation excludes specific bond issues and types that are not secured by general state revenues. Of the $20.40 billion general obligation bond debt principal outstanding at June 30, 2021, $12.44 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2021, did not exceed the authorized debt service limitation.

For further information on the debt limit, refer to the Report on the State of Washington's Debt Limitation available from the Office of the State Treasurer at https://www. tre. wa. gov/wp-content/uploads/Debt-Limit-Certification-2021-Final-web.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $15.77 billion in general obligation bonds authorized but unissued as of June 30, 2021, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds range from 0.25 to 5.70 percent. Interest rates on revenue bonds range from 0.19 to 8.00 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

General obligation bonds have been authorized and issued primarily to provide funds for the following purposes:

- Acquisition and construction of state and common school capital facilities.
- Transportation construction and improvement projects.
- Assistance to local governments for public works capital projects.
- Refunding of general obligation bonds outstanding.

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, phone number (360) 902-9000 or TTY 711, or by visiting their website at http://www.tre.wa.gov/about-us/resources/annual-reports.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2021, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Totals Principal	Totals Interest
By Fiscal Year:						
2022	$ 1,062,717	$ 994,681	$ —	$ —	$ 1,062,717	$ 994,681
2023	1,065,102	954,284	—	—	1,065,102	954,284
2024	1,082,749	907,887	—	—	1,082,749	907,887
2025	1,086,635	858,670	—	—	1,086,635	858,670
2026	1,101,421	806,857	—	—	1,101,421	806,857
2027-2031	5,457,388	3,233,504	—	—	5,457,388	3,233,504
2032-2036	4,575,325	1,790,720	—	—	4,575,325	1,790,720
2037-2041	3,559,240	812,614	—	—	3,559,240	812,614
2042-2046	1,411,910	154,080	—	—	1,411,910	154,080
Total Debt Service Requirements	$ 20,402,487	$ 10,513,297	$ —	$ —	$ 20,402,487	$ 10,513,297

Revenue Bonds

Revenue bonds are authorized under current state statutes which provide for the issuance of bonds that are not supported, or not intended to be supported, by the full faith and credit of the state.

General Revenue

The University of Washington and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2021, include $906.4 million in governmental activities and $1.87 billion in business-type activities.

Pledged Revenue

The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2021, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Totals Principal	Totals Interest
By Fiscal Year:						
2022	$ 158,852	$ 80,375	$ 133,552	$ 92,915	$ 292,404	$ 173,290
2023	159,325	73,943	75,147	95,882	234,472	169,825
2024	157,658	66,213	77,838	92,407	235,496	158,620
2025	145,565	58,422	90,480	88,852	236,045	147,274
2026	92,079	84,775	93,043	85,228	185,122	170,003
2027-2031	287,226	223,047	483,039	367,003	770,265	590,050
2032-2036	311,833	154,745	491,898	268,939	803,731	423,684
2037-2041	252,532	92,141	461,879	159,775	714,411	251,916
2042-2046	182,973	51,162	318,859	68,799	501,832	119,961
2047-2051	140,815	20,482	67,584	16,202	208,399	36,684
Total Debt Service Requirements	$ 1,888,858	$ 905,305	$ 2,293,319	$ 1,336,002	$ 4,182,177	$ 2,241,307

Governmental activities include revenue bonds outstanding at June 30, 2021, of $92.6 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $111.2 million, payable through 2033. For the current year, both pledged revenue and debt service were $37.8 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2021, of $360.9 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the cost of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is $397.8 million, payable through 2024. For the current year, both pledged revenue and debt service were $99.7 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2021, of $287.1 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

The TIFIA Bond is payable solely from toll revenues and does not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of this bond. Total principal and interest remaining on the bond is $491.6 million, payable through 2051. For the current year, both pledged revenue and debt service were $12.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2021, of $30.8 million issued by TOP, which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $36.9 million, payable through 2029. For the current year, both pledged revenue and debt service were $4.2 million.

Governmental activities include revenue bonds outstanding at June 30, 2021, of $210.7 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $323.9 million, payable through 2039. For the current year, both pledged revenue and debt service were $18.1 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2021, of $350 thousand issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center. The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $376 thousand payable through 2022. For the current year, both pledged revenue and debt service were $190 thousand.

The state's colleges and universities may issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues. These bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

The state colleges and universities may also enter into financing agreements, not offered for public sale, directly with investors or lenders.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2021, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Bookstore Revenues
Current revenue pledged	$ 30,568	$ 19,293	$ 148
Current year debt service	15,459	9,863	202
Total future revenues pledged *	458,925	78,235	2,629
Description of debt	Housing and dining bonds issued in 2008-2020	Student facilities bonds issued in 2004-2015	Bookstore bonds issued in 2013
Purpose of debt	Construction and renovation of student housing and dining facilities	Construction and renovation of student activity and sports facilities	Bookstore remodel
Term of commitment	2026-2049	2029-2037	2034
Percentage of debt service to pledged revenues (current year)	50.57 %	51.12 %	136.60 %

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2021, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2021, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2022	$ 160,733	$ 52,402	$ 7,626	$ 2,486	$ 168,359	$ 54,888
2023	62,352	23,831	19,352	7,397	81,704	31,228
2024	50,245	20,777	15,596	6,449	65,841	27,226
2025	42,156	18,355	13,085	5,697	55,241	24,052
2026	40,207	16,301	12,480	5,060	52,687	21,361
2027-2031	147,839	57,151	45,888	17,739	193,727	74,890
2032-2036	95,949	30,055	29,781	9,329	125,730	39,384
2037-2041	57,407	10,264	17,818	3,186	75,225	13,450
2042-2046	14,934	1,524	4,636	473	19,570	1,997
Total Debt Service Requirements	$ 671,822	$ 230,660	$ 166,262	$ 57,816	$ 838,084	$ 288,476

C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

Current Year Defeasances

Bonds

Governmental Activities

On November 3, 2020, the state issued $105.0 million in various purpose general obligation refunding bonds with an average interest rate of 5.00 percent to refund $113.0 million of various purpose general obligation bonds with an average interest rate of 5.00 percent. The refunding resulted in $11.0 million gross debt service savings over the next 5 years and an economic gain of $10.9 million.

On March 3, 2021, the state issued $396.3 million in motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5.00 percent to refund $458.9 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5.01 percent. The refunding resulted in $102.0 million gross debt service savings over the next 20 years and an economic gain of $76.5 million.

On May 4, 2021, the state issued $164.1 million in various purpose general obligation refunding bonds with an average interest rate of 4.36 percent to refund $188.5 million of various purpose general obligation bonds with an average interest rate of 4.74 percent. The refunding resulted in $39.5 million gross debt service savings over the next 15 years and an economic gain of $36.9 million.

Also on May 4, 2021, the state issued $191.6 million in motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 4.22 percent to refund $229.1 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.74 percent. The refunding resulted in $72.6 million gross debt service savings over the next 20 years and an economic gain of $64.6 million.

Business-Type Activities

On September 24, 2020, Western Washington University issued $21.8 million in housing and dining system revenue refunding bonds with an average interest rate of 2.40 percent to refund $11.5 million of general revenue bonds to build or improve housing and the student multicultural center with an average interest rate of 4.81 percent. The refunding resulted in $684 thousand gross debt service expenses over the next year and an economic loss of $9.0 million.

On October 29, 2020, Washington State University issued $100.8 million in general revenue refunding bonds with an average interest rate of 5.00 percent to refund $92.7 million of athletics and housing and dining revenue bonds with an average interest rate of 4.91 percent. The refunding resulted in $14.7 million gross debt service savings over the next 24 years and an economic gain of $10.8 million.

On February 9, 2021, the University of Washington issued $117.8 million in general revenue refunding bonds with an average interest rate of 5.00 percent to refund $142.7 million of general revenue bonds to fund various capital projects with an average interest rate of 4.82 percent. The refunding resulted in $33.1 million gross debt service savings over the next 13 years and an economic gain of $27.6 million.

On March 4, 2021, the University of Washington issued $77.4 million in general revenue refunding bonds with an average interest rate of 5.00 percent to refund $7.2 million of general revenue bonds to fund various capital projects with an average interest rate of 4.25 percent. The refunding resulted in $1.3 million gross debt service savings over the next 11 years and an economic gain of $1.4 million.

Also on March 4, 2021, the University of Washington issued $249.3 million in general revenue refunding bonds with an average interest rate of 2.14 percent to refund $222.3 million of general revenue bonds to fund various capital projects with an average interest rate of 5.00 percent. The refunding resulted in $47.5 million gross debt service savings over the next 21 years and an economic gain of $48.4 million.

Certificates of Participation

On October 14, 2020, the state issued $25.6 million in refunding certificates of participation with an average interest rate of 5.00 percent to refund $30.3 million of certificates of participation with an average interest rate of 4.51 percent. The refunding resulted in a $7.5 million gross debt service savings over the next 10 years and a net present value savings of $4.9 million.

On June 2, 2021, the state issued $490 thousand in refunding certificates of participation with an average interest rate of 5.00 percent to refund $770 thousand of certificates of participation with an average interest rate of 5.00 percent. The refunding resulted in a $37 thousand gross debt service savings over the next 2 years and a net present value savings of $37 thousand.

Current Year In-Substance Defeasances

Bonds

Governmental Activities

On October 30, 2020, and on May 14, 2021, the state deposited $10.4 million and $4.9 million, respectively, of existing resources into an irrevocable escrow account, for the defeasance of debt service coming due on June 1, 2021. The cash defeasances in fiscal year 2021 were completed to ensure the State Route 520 system met the required coverage targets.

Prior Year Defeasances

In prior years, the state defeased certain general obligation bonds, revenue bonds, and certificates of participation by placing the proceeds of new bonds and certificates of participation in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates of participation.

Accordingly, the trust account assets and the liability for the defeased bonds and certificates of participation are not included in the state's financial statements.

General Obligation Bond Debt

On June 30, 2021, $879.8 million of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2021, $229.2 million of revenue bond debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2021, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings, and equipment under capital leases as of June 30, 2021, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ —	$ 4,512
Equipment	6,027	11,419
Less: Accumulated Depreciation	(3,944)	(13,887)
Totals	$ 2,083	$ 2,044

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2021, (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2022	$ 931	$ 1,785	$ 236,061	$ 51,993
2023	839	1,045	198,749	48,856
2024	461	—	174,437	35,598
2025	31	—	140,288	34,332
2026	—	—	101,253	22,630
2027-2031	—	—	207,552	93,603
2032-2036	—	—	41,673	100,003
2037-2041	—	—	26,585	100,597
2042-2046	—	—	15,230	113,853
2047-2051	—	—	1,102	131,808
Total Future Minimum Payments	2,262	2,830	1,142,930	733,273
Less: Executory Costs and Interest Costs	(30)	(67)	—	—
Net Present Value of Future Minimum Lease Payments	$ 2,232	$ 2,763	$ 1,142,930	$ 733,273

The total operating lease rental expense for fiscal year 2021 for governmental activities was $414.6 million, of which $6 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2021 for business-type activities was $68.0 million.

E. CLAIMS AND JUDGMENTS

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation and health insurance are business-type activities, and risk management is a governmental activity. A description of the risks to which the state is exposed by these activities and the ways in which the state handles the risks are presented in Note 1.E.

Workers' Compensation

At June 30, 2021, $43.86 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $34.58 billion. These claims are discounted at assumed interest rates of 1.0 percent for non-pension and cost of living adjustments, 5.8 percent for all self-insured pension annuities, and 4.0 percent for state fund pension annuities to arrive at a settlement value.

The claims and claim adjustment liabilities of $34.58 billion as of June 30, 2021, include $19.05 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded. These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of $15.53 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2020 and 2021 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2020	$ 29,166,819	6,092,143	(2,465,821)	$ 32,793,141
2021	$ 32,793,141	4,304,760	(2,515,592)	$ 34,582,309

Risk Management

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except the University of Washington. The fund reports a tort liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for tort claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense.

Because actual liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The state is a defendant in a significant number of lawsuits pertaining to general and automobile liability matters.

As of June 30, 2021, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington, including actuarially projected defense costs were $1.19 billion for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

Changes in the balances of risk management claims liabilities during fiscal years 2020 and 2021 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2020	$ 649,095	1,249,286	(677,990)	(26,313)	$ 1,194,078
2021	$ 1,194,078	129,509	(100,716)	(28,409)	$ 1,194,462

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2021, health insurance claims liabilities totaling $174.5 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2020 and 2021 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2020	$ 104,846	1,517,345	(1,475,083)	$ 147,108
2021	$ 147,108	2,184,118	(2,156,685)	$ 174,541

State of Washington

F. POLLUTION REMEDIATION

The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology, and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 36 projects in progress for which the state has recorded a liability of $98.5 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2021, the state has recorded a liability of $130.0 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $228.5 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

The pollution remediation activity at some sites for which the state would otherwise have a reportable obligation is at a point where certain costs are not reasonably estimable. For example, a site assessment, remedial investigation, or feasibility study is in progress and the cleanup methodology has not yet been determined; consequently, associated future costs cannot be estimated.

The state's reported liability does not include remediation costs for future activities where costs are not yet reasonably estimable.

G. ASSET RETIREMENT OBLIGATIONS

The state reports asset retirement obligations in accordance with GASB Statement No. 83. The liability reported is based on the best estimate, using all available evidence, of the current value of outlays expected to be incurred.

The state and its agencies have identified several legally enforceable liabilities associated with the retirement of a tangible capital asset due to requirements included in state laws and contracts. The types of assets include nuclear radiation plants, communication towers, and medical equipment such as cyclotrons, magnetic resonance imaging machines, and tandem accelerators. The estimated remaining useful lives of the tangible capital assets range from 1-15 years.

The state has recorded an asset retirement obligation of $29.1 million, measured at its current value. The overall estimate is based on professional judgment, experience, and historical cost data.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities, or services that will be used to meet the obligation to retire the tangible capital asset. Additionally, the responsibilities and liabilities discussed in this disclosure are referenced solely in the accounting context for purposes of this disclosure.

This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

Some tangible capital assets have been identified as having a legally enforceable liability associated with the retirement of a tangible capital asset, but the liability is not yet reasonably estimable. Some examples include dams, sewer lagoons, waste ponds, and state owned communication towers. Estimates are not currently available as the state has no past experience decommissioning these types of assets, or the assets are maintained indefinitely so an estimated remaining useful life is unknown. Once the liability is reasonably estimable, the state will record a liability for the obligation.

H. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2021, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2021 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2020	Additions	Reductions	Ending Balance June 30, 2021	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 19,535,350	$ 2,595,200	$ 1,947,845	$ 20,182,705	$ 1,034,235
GO - zero coupon bonds (principal)	258,307	—	38,525	219,782	28,482
Subtotal - GO bonds payable	19,793,657	2,595,200	1,986,370	20,402,487	1,062,717
Accreted interest - GO - zero coupon bonds	359,293	—	31,714	327,579	43,643
Revenue bonds payable	2,032,942	73,752	217,836	1,888,858	158,852
Plus: Unamortized premiums on bonds sold	2,131,890	698,989	193,862	2,637,017	—
Total Bonds Payable	24,317,782	3,367,941	2,429,782	25,255,941	1,265,212
Other Liabilities:					
Certificates of participation	691,760	103,761	123,699	671,822	160,733
Plus: Unamortized premiums on COPs sold	17,922	7,628	4,781	20,769	—
Claims and judgments payable	1,539,764	123,226	64,631	1,598,359	354,553
Installment contracts	1,180	—	137	1,043	137
Leases	8,445	755	6,968	2,232	911
Compensated absences	787,926	504,472	450,634	841,764	142,178
Net pension liability	2,980,950	1,819,702	2,611,389	2,189,263	—
Total OPEB liability	5,065,182	2,014,704	1,856,505	5,223,381	91,876
Pollution remediation obligations	175,852	59,322	6,704	228,470	—
Unclaimed property refunds	252,410	422	5,171	247,661	7,067
Asset retirement obligations	27,939	1,193	—	29,132	—
Other	373,924	117,281	101,978	389,227	40,285
Total Other Liabilities	11,923,254	4,752,466	5,232,597	11,443,123	797,740
Total Long-Term Debt	$ 36,241,036	$ 8,120,407	$ 7,662,379	$ 36,699,064	$ 2,062,952

For governmental activities, certificates of participation are being repaid approximately 23.54 percent from the General Fund, 54.08 percent from the Higher Education Special Revenue Fund, and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 46.04 percent by the General Fund, 32.32 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 74.73 percent by the Risk Management Fund, 11.29 percent by the Higher Education Revolving Fund (both are nonmajor internal service funds), and the balance by various other governmental funds. The other post employment benefits liability will be liquidated approximately 43.94 percent by the General Fund, 27.28 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The net pension liability will be liquidated approximately 50.25 percent by the General Fund, 33.41 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 69.03 percent by the Wildlife and Natural Resources Fund (a nonmajor governmental fund), and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

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Long-term liability activity for business-type activities for fiscal year 2021 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2020	Additions	Reductions	Ending Balance June 30, 2021	Amounts Due Within One Year
Long-Term Debt:					
Revenue bonds payable	$ 2,235,186	$ 603,217	$ 545,084	$ 2,293,319	$ 133,552
Plus: Unamortized premiums on bonds sold	179,778	49,846	47,498	182,126	—
Total Bonds Payable	2,414,964	653,063	592,582	2,475,445	133,552
Other Liabilities:					
Certificates of participation	145,413	28,910	8,061	166,262	7,626
Plus: Unamortized premiums on COPs sold	19,934	7,991	1,284	26,641	—
Claims and judgments payable	32,987,192	4,151,948	2,356,577	34,782,563	2,579,109
Installment contracts	76,171	—	73,306	2,865	697
Lottery prize annuities payable	125,814	9,708	16,636	118,886	15,368
Tuition benefits payable	1,185,000	82,599	16,599	1,251,000	97,000
Leases	4,612	—	1,849	2,763	1,730
Compensated absences	123,034	50,852	48,047	125,839	85,114
Net pension liability	357,912	320,964	358,504	320,372	—
Total OPEB liability	734,560	376,035	282,885	827,710	14,559
Other	114,169	584	31,271	83,482	3,738
Total Other Liabilities	35,873,811	5,029,591	3,195,019	37,708,383	2,804,941
Total Long-Term Debt	$ 38,288,775	$ 5,682,654	$ 3,787,601	$ 40,183,828	$ 2,938,493

Note 8
No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds and other debt for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

The debt does not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their full faith and credit for the payment of such debt.

Debt service is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the debt issued by these financing authorities is excluded from the state's financial statements.

The schedule below presents the June 30, 2021, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 6,907,398
Washington Health Care Facilities Authority	5,295,552
Washington Higher Education Facilities Authority	735,422
Washington Economic Development Finance Authority	740,250
Total No Commitment Debt	$ 13,678,622

Note 9

Governmental Fund Balances

A. GOVERNMENTAL FUNDS

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2021, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ —	$ —	$ 3,099,426	$ 245,275	$ 3,344,701
Consumable inventories and prepaids	21,031	39,823	—	52,800	113,654
Other receivables – long-term	38,029	—	—	—	38,029
Total Nonspendable Fund Balance	$ 59,060	$ 39,823	$ 3,099,426	$ 298,075	$ 3,496,384
Restricted for: *					
Higher education	$ —	$ 49,644	$ 2,683,547	$ 39,549	$ 2,772,740
Education	—	—	6,795	83,382	90,177
Transportation	—	—	—	1,114,976	1,114,976
Other purposes	—	—	—	4,326	4,326
Human services	2,873,349	—	—	673,001	3,546,350
Wildlife and natural resources	5,366	—	1	1,228,790	1,234,157
Local grants and loans	10,232	—	—	54	10,286
School construction	94	—	—	18,776	18,870
Budget stabilization	19,191	—	—	—	19,191
Debt service	—	—	—	52,400	52,400
Pollution remediation	—	—	—	60,004	60,004
Operations and maintenance	—	—	—	11,856	11,856
Repair and replacement	—	—	—	20,384	20,384
Revenue stabilization	—	—	—	17,805	17,805
Deferred sales tax	—	—	—	9,000	9,000
Third tier debt service	—	—	—	3,182	3,182
Fourth tier debt service	—	—	—	1,917	1,917
Total Restricted Fund Balance	$ 2,908,232	$ 49,644	$ 2,690,343	$ 3,339,402	$ 8,987,621
Committed for:					
Higher education	$ 157,217	$ 4,028,098	$ —	$ 29,872	$ 4,215,187
Education	217	—	—	5,819	6,036
Transportation	—	—	—	513,082	513,082
Other purposes	51,919	—	—	474,823	526,742
Human services	946,436	—	—	1,052,745	1,999,181
Wildlife and natural resources	38,103	—	—	684,196	722,299
Local grants and loans	27,217	—	—	745,695	772,912
State facilities	—	—	—	16,566	16,566
Debt service	—	—	—	242,820	242,820
Total Committed Fund Balance	$ 1,221,109	$ 4,028,098	$ —	$ 3,765,618	$ 9,014,825
Assigned for:					
Working capital	$ 1,915,952	$ 109,939	$ —	$ —	$ 2,025,891
Total Assigned Fund Balance	$ 1,915,952	$ 109,939	$ —	$ —	$ 2,025,891

*Net position restricted as a result of enabling legislation totaled $9.8 million.

B. BUDGET STABILIZATION ACCOUNT

In accordance with Article 7, Section 12 of the Washington state Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) if the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2021, the Budget Stabilization Account had restricted fund balance of $19.2 million.

Note 10

Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $38.0 million at June 30, 2021. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

The Data Processing Revolving Fund is supported by user charges. Due to budgetary considerations, user rates are designed to cover cash outflows including debt service as opposed to the full cost of services which includes depreciation. Since the Data Processing Revolving Fund reports a debt-financed building, this funding approach has an impact on net position. Debt service allocates principal retirement on a straight-line basis. Depreciation on the fund's building is componentized, which accelerates expense in the early years of the building's life. As a result, the fund reports both an operating loss and a negative net investment in capital assets.

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2021 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2020	$ (55,155)
Fiscal year 2021 activity	17,170
Balance, June 30, 2021	$ (37,985)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $1.42 billion at June 30, 2021. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

The Risk Management Fund is supported by premium assessments to state agencies. The state is restricted by law from accumulating funds in the SILP in excess of 50 percent of total outstanding and actuarially determined claims. As a consequence, when outstanding and incurred but not reported claims are actuarially determined and accrued, the result is a deficit net position.

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2021 (expressed in thousands):

Risk Management Fund		Net Position
Balance, July 1, 2020	$	(1,383,291)
Fiscal year 2021 activity		(40,319)
Balance, June 30, 2021	$	(1,423,610)

Lottery Fund

The Lottery Fund, an enterprise fund, had a deficit net position of $9.8 million at June 30, 2021. The Lottery Fund is primarily used to record lottery ticket revenues and to account for activities such as administrative and operating expenses of the Lottery Commission and the distribution of revenues.

The Lottery Fund is supported by operating revenue which is comprised of sales from Draw and Scratch games, as well as administration fees charged to retailers. Operating expenses include cost of sales and administrative expenses.

The Lottery Fund is statutorily required to distribute the majority of its net income to fund education.

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* required the assignment of the state's proportionate share of these liabilities to each fund. Recording these unfunded liabilities resulted in deficit net position.

The following schedule details the change in net position for the Lottery Fund during the fiscal year ended June 30, 2021 (expressed in thousands):

Lottery Fund		Net Position
Balance, July 1, 2020	$	(217)
Fiscal year 2021 activity		(9,537)
Balance, June 30, 2021	$	(9,754)

State Facilities Fund

The State Facility Fund, a capital projects fund, had a deficit fund balance of $110.1 million at June 30, 2021. The State Facilities Fund is used to pay for various capital projects throughout the state.

The State Facilities Fund is primarily supported by bond proceeds, income from property, and sales of property.

Costs were incurred during fiscal year 2021, but the bonds to support these projects were not issued until after June 30, 2021, resulting in a deficit fund balance.

The following schedule details the change in net position for the State Facilities Fund during the fiscal year ended June 30, 2021 (expressed in thousands):

State Facilities Fund		Fund Balance
Balance, July 1, 2020	$	79,195
Fiscal year 2021 activity		(189,341)
Balance, June 30, 2021	$	(110,146)

Other Activities Fund

The Other Activities Fund, an enterprise fund, had a deficit net position of $11.6 million at June 30, 2021. The Other Activities Fund is used to account for operation of the Pollution Liability Insurance Program, the Judicial Information System, the local Certificate of Participation (COP) financing program, the Local Government Audit Program, and the Secretary of State's Corporate Public Records Program.

The Other Activities Fund is supported by various operating revenues which are comprised of charges for services and premiums and assessments. Operating expenses include cost of goods and services and administrative expenses.

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* required the assignment of the state's proportionate share of these liabilities to each fund. Recording these unfunded liabilities resulted in deficit net position.

The following schedule details the change in net position for the Other Activities Fund during the fiscal year ended June 30, 2021 (expressed in thousands):

Other Activities Fund		Net Position
Balance, July 1, 2020	$	(7,301)
Fiscal year 2021 activity		(4,252)
Balance, June 30, 2021	$	(11,553)

Note 11

Retirement Plans

A. GENERAL

Washington's pension plans were created by statutes rather than through trust documents. They are administered in a way equivalent to pension trust arrangements as defined by the Governmental Accounting Standards Board (GASB).

In accordance with GASB Statement No. 68, the state has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally, the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans for the state as an employer, for fiscal year 2021 (expressed in thousands):

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	2,509,635
Pension assets	$	(2,467,388)
Deferred outflows of resources on pensions	$	1,695,946
Deferred inflows of resources on pensions	$	1,581,936
Pension expense/expenditures	$	61,212

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation

Policy and a series of written WSIB-adopted investment policies for the various asset classes.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3.B.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and 3 defined benefit/ defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- School Employees' Retirement System (SERS)
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Public Safety Employees' Retirement System (PSERS)
  - Plan 2 - defined benefit
- Washington State Patrol Retirement System (WSPRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Judicial Retirement System (JRS)
  - Defined benefit plan
- Judges' Retirement Fund (JRF)
  - Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS systems and plans is funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and JRF plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of political subdivisions that elect to participate a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at http://www.drs.wa.gov/news/.

State Board for Volunteer Fire Fighters and Reserve Officers. As established in chapter 41.24 RCW, the State Board for Volunteer Fire Fighters and Reserve Officers administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of the VFFRPF is funded through legislative appropriation.

Administrative Office of the Courts. As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (funded on a pay-as-you-go basis) which is administered by the state.

The state has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the Higher Education Supplemental Retirement Plan.

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans - Employer Disclosures

The state is not an employer in SERS Plan 2/3 nor LEOFF Plan 1.

Plan Descriptions

Public Employees' Retirement System. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to Note 11.E for a description of the defined contribution component of PERS Plan 3.

Teachers' Retirement System. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to Note 11.E for a description of the defined contribution component of TRS Plan 3.

Law Enforcement Officers' and Fire Fighters'. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, fire fighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Public Safety Employees' Retirement System. The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections; Department of Natural Resources; Gambling Commission; Liquor and Cannabis Board; Parks and Recreation Commission; Washington State Patrol; Washington state counties; corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane; or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Washington State Patrol Retirement System. The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer, defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

For membership information refer to the table presented in Note 11.B.3.

Judicial Retirement System. The Judicial Retirement System (JRS) was established by the Legislature in 1971. The JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

The JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System.

For membership information refer to the table presented in Note 11.B.3.

Judges' Retirement Fund. The Judges' Retirement Fund (JRF) was created by the Legislature on March 22, 1937, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

The JRF is a single-employer, defined benefit retirement system. There are currently no active members in this plan.

For membership information refer to the table presented in Note 11.B.3.

Benefits Provided

PERS. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service

credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PERS Plan 2 members have the option to retire early with reduced benefits.

PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months. PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

TRS. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. TRS Plan 2 members have the option to retire early with reduced benefits.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

PERS and TRS Judicial Benefit Multiplier: The Judicial Benefit Multiplier (JBM) Program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS Plan 1 or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

LEOFF. LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

Other benefits include a cost of living adjustment (COLA).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with at least five years of service, or at age 50-52 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months.

A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. LEOFF Plan 2 members have the option to retire early with reduced benefits.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

PSERS. PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service, or at age 53 with 20 years of service. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PSERS members have the option to retire early with reduced benefits.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

WSPRS. WSPRS plans provide retirement, disability, and death benefits to eligible members.

WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with no minimum required service credit, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol. Inactive members can retire at age 60 or at age 55 with a reduced benefit to account for the receipt of benefits over a longer period of time.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

JRS. The JRS provides retirement, disability, and death benefits to eligible members.

JRS members are eligible for retirement at the age of 60 with 15 years of service; or are age 60 or older, left office involuntarily with 12 years of service credit, and at least 15 years have passed since the beginning of the initial term. The system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.50%
10-14	3.00%

JRF. The JRF provides disability and retirement benefits to eligible members. The system was closed to new entrants on August 8, 1971, with new judges joining the JRS.

Members are eligible to receive a full retirement allowance at age 70 with 10 years of credited service, or at any age with 18 years of credited service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge.

Contributions

PERS, TRS, PSERS, WSPRS: Defined benefit retirement benefits are financed from a combination of investment earnings and employer and/or employee contributions.

PERS Plan 1 and TRS Plan 1 member contribution rates are established in statute. PERS Plan 2/3 and TRS Plans 2/3 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund Plan 2 and the defined benefit portion of Plan 3. PSERS Plans 2 and WSPRS Plan 1/2 employer and employee contribution rates are also developed by the OSA to fully fund the plans.

Each biennium, the state Pension Funding Council adopts employer contribution rates for PERS Plan 1 and 3 and for TRS Plan 1 and 3; employee and employer contribution rates for PERS Plan 2, TRS Plan 2, and PSERS Plan 2; employee and state contribution rates for WSPRS Plans 1 and 2.

The methods used to determine contribution requirements are established under statute and are subject to change by the Legislature.

PERS and TRS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Upon separation from covered employment, members can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit.

Required contribution rates for fiscal year 2021 are presented in the table in Note 11.B.3.

LEOFF: LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund the plans. Starting on July 1, 2000, LEOFF Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2021, the state contributed $78.2 million to LEOFF Plan 2.

Required contribution rates for fiscal year 2021 are presented in the table in Note 11.B.3.

The state is not an employer for LEOFF Plan 1; however, the state is a nonemployer contributing entity for LEOFF Plan 1. For LEOFF Plan 2, the state is both an employer and a nonemployer contributing entity.

Refer to Note 11.B.2 for nonemployer contributing entity disclosures.

JRS and JRF: The JRF and JRS have no active members; therefore, no employer or employee contributions are required. The state guarantees the solvency of the JRF and JRS on a pay-as-you-go basis from a combination of investment earnings and funding from the state.

Past contributions were made based on rates set in statute. By statute, JRF employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state. JRS employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state.

Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet the benefit payment requirements. For fiscal year 2021 the state contributed $400 thousand for JRF and $7.6 million for JRS.

Actuarial Assumptions

PERS, TRS, LEOFF, PSERS, and WSPRS: The total pension liability was determined by an actuarial valuation as of June 30, 2019, with the results rolled forward to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Salary increases	3.50 %
Investment rate of return	7.40 %

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

The 7.40 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Refer to the 2019 Report on Financial Condition and Economic Experience Study located on the OSA website for additional information and background on the development of the long-term rate of return assumption.

WSIB's Capital Market Assumptions (CMAs) contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20 %	2.2 %
Tangible assets	7 %	5.1 %
Real estate	18 %	5.8 %
Global equity	32 %	6.3 %
Private equity	23 %	9.3 %
Total	100 %	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

For purposes of OSA's 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the OSA introduced temporary method changes to produce asset and liability measures as of the valuation date. A high-level summary of those changes is outlined in the following paragraph. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 Annual Comprehensive Financial Report results.

To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, the OSA relied on the same data, assets, methods, and assumptions as the 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. June 30, 2020, assets were estimated by relying on the fiscal year-end 2019 assets, reflecting actual investment performance over fiscal year 2020, and reflecting assumed contribution amounts and benefit payments during fiscal year 2020. The actual June 30, 2020, participant and financial data was reviewed to determine if any material changes to projection assumptions were necessary. Any material impacts to the plans from 2021 legislation were also considered.

JRS and JRF: JRS and JRF are excluded from the actuarial valuations performed by OSA due to their small, closed populations and the plans have no remaining active members.

Mortality rates for JRS and JRF are consistent with those used for members of PERS. Members of JRS are assumed to receive a 2.75 percent annual COLA.

Discount rate

PERS, TRS, LEOFF, PSERS, and WSPRS: The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on the assumptions in OSA's Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers' rates include a component for the PERS Plan 1 liability. TRS Plan 2/3 rates include a component for TRS Plan 1 liability.

JRS and JRF: Contributions are made to ensure cash is available to make benefit payments. Since these plans are operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.21 percent for the June 30, 2020, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Pension Expense

The state recognized the following pension expense for the year ended June 30, 2021 (expressed in thousands):

Plans	Pension Expense
PERS Plan 1	$ 82,480
PERS Plan 2/3	71,040
TRS Plan 1	5,681
TRS Plan 2/3	6,277
LEOFF Plan 2	(390)
PSERS Plan 2	19,651
WSPRS	21,766
JRS	5,726
JRF	(243)

Collective Net Pension Liability/(Asset)

PERS, TRS, LEOFF and PSERS: The following presents the state's proportionate share of the collective net pension liability/(asset), the state's proportionate share percentage, and the change in proportionate share as of June 30, 2021 (expressed in thousands):

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	LEOFF Plan 2	PSERS Plan 2
Proportionate share of the collective net pension liability/(asset)	$ 1,485,148	$ 646,953	$ 28,507	$ 17,767	$ (17,948)	$ (8,567)
State's proportion	42.07%	50.58%	1.18%	1.16%	0.88%	62.26%
Increase/(decrease)	0.27%	0.08%	0.09%	0.10%	(0.02)%	7.65%

Net Pension Liability/(Asset)

WSPRS, JRS, and JRF: The following presents the state's net pension liability as of June 30, 2021 (expressed in thousands):

	WSPRS	JRS	JRF
Proportionate share of the collective net pension liability/(asset)	$ 58,908	$ 68,625	$ 812

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

PERS, TRS, LEOFF, PSERS, and WSPRS: The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

	Net Pension Liability (Asset)		
Plans	1% Decrease	Current Discount Rate	1% Increase
PERS Plan 1	$ 1,860,233	$ 1,485,148	$ 1,158,036
PERS Plan 2/3	4,025,514	646,953	(2,135,294)
TRS Plan 1	36,118	28,507	21,865
TRS Plan 2/3	52,362	17,767	(10,453)
LEOFF Plan 2	(355)	(17,948)	(32,353)
PSERS Plan 2	93,262	(8,567)	(89,159)
WSPRS	260,955	58,908	(105,534)

JRS and JRF: The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 2.21 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate (expressed in thousands):

	Net Pension Liability (Asset)		
Plans	1% Decrease	Current Discount Rate	1% Increase
JRS	$ 75,272	$ 68,625	$ 62,864
JRF	879	812	749

Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

PERS, TRS, LEOFF, PSERS, WSPRS, JRS, and JRF: For the year ended June 30, 2021, the state reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	8,268
Change in proportion	—	—
State contributions subsequent to the measurement date	324,909	—
Total	$ 324,909	$ 8,268

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 231,600	$ 81,079
Changes of assumptions	9,214	441,925
Net difference between projected and actual earnings on pension plan investments	—	32,856
Change in proportion	18,465	—
State contributions subsequent to the measurement date	486,584	—
Total	$ 745,863	$ 555,860

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	184
Change in proportion	—	—
State contributions subsequent to the measurement date	7,196	—
Total	$ 7,196	$ 184

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 11,229	$ 64
Changes of assumptions	2,292	1,947
Net difference between projected and actual earnings on pension plan investments	—	174
Change in proportion	2,021	—
State contributions subsequent to the measurement date	7,749	—
Total	$ 23,291	$ 2,185

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,483	$ 318
Changes of assumptions	26	2,779
Net difference between projected and actual earnings on pension plan investments	—	200
Change in proportion	231	78
State contributions subsequent to the measurement date	1,762	—
Total	$ 4,502	$ 3,375

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 11,770	$ 641
Changes of assumptions	44	16,194
Net difference between projected and actual earnings on pension plan investments	458	—
Change in proportion	1,455	3
State contributions subsequent to the measurement date	32,571	—
Total	$ 46,298	$ 16,838

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 24,853	$ —
Changes of assumptions	5,609	11,313
Net difference between projected and actual earnings on pension plan investments	—	3,111
Change in proportion	—	—
State contributions subsequent to the measurement date	20,882	—
Total	$ 51,344	$ 14,424

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	308	—
Change in proportion	—	—
State contributions subsequent to the measurement date	7,600	—
Total	$ 7,908	$ —

JRF	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	34	—
Change in proportion	—	—
State contributions subsequent to the measurement date	400	—
Total	$ 434	$ —

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the fiscal years ended June 30 (expressed in thousands):

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
2022	$ (37,524)	$ (263,631)	$ (806)	$ (26)
2023	$ (1,180)	$ (59,352)	$ (24)	$ 1,991
2024	$ 11,450	$ 16,314	$ 245	$ 2,488
2025	$ 18,986	$ 61,055	$ 401	$ 2,513
2026	$ —	$ (22,392)	$ —	$ 1,679
Thereafter	$ —	$ (28,575)	$ —	$ 4,712

	LEOFF Plan 2	PSERS Plan 2	WSPRS Plan 1/2	JRS
2022	$ (1,301)	$ (2,251)	$ (5,128)	$ 135
2023	$ (158)	$ (528)	$ 2,993	$ 94
2024	$ 285	$ 795	$ 6,263	$ 51
2025	$ 620	$ 2,094	$ 10,571	$ 28
2026	$ (101)	$ (547)	$ 1,339	$ —
Thereafter	$ 20	$ (2,674)	$ —	$ —

	JRF
2022	$ 14
2023	$ 10
2024	$ 6
2025	$ 4
2026	$ —
Thereafter	$ —

2. DRS Plans - Nonemployer Contributing Entity Disclosures

For fiscal year 2021, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Note 11.B.1 provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

Basis for Nonemployer Contributing Entity Contributions. LEOFF Plan 1 has a net pension asset as of the June 30, 2020, measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2020, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2020, measurement date. In this plan, the state is an employer and a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed four percent of payroll. For fiscal year 2020, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.00 percent based on total plan contributions received in fiscal year 2020.

Collective Net Pension Liability/(Asset). The following presents the proportionate share of the collective net pension liability/(asset), the proportionate share percentage, and the change in proportionate share of the state as a nonemployer contributing entity as of June 30, 2021 (expressed in thousands).

	LEOFF Plan 1	LEOFF Plan 2
Proportionate share of the collective net pension liability/(asset)	$ (1,645,269)	$ (795,604)
State's proportion	87.12%	39.00%
Increase/(decrease)	—%	(0.30)%

The proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2020 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.40 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

LEOFF Plan 1 Nonemployer Contributing Entity Proportionate Share of Net Pension Liability/(Asset)	
1% decrease	$ (1,339,165)
Current discount rate	$ (1,645,269)
1% increase	$ (1,910,101)

LEOFF Plan 2 Nonemployer Contributing Entity Proportionate Share of Net Pension Liability/(Asset)	
1% decrease	$ (15,751)
Current discount rate	$ (795,604)
1% increase	$ (1,434,148)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2021, the state as a nonemployer contributing entity recognized $(84.5) million pension expense for LEOFF Plan 1 and $(17.3) million pension expense for LEOFF Plan 2.

At June 30, 2021, the state as a nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	17,210
Change in proportion	—	—
State contributions subsequent to the measurement date	(5)	—
Total	$ (5)	$ 17,210

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 110,085	$ 14,111
Changes of assumptions	1,153	123,195
Net difference between projected and actual earnings on pension plan investments	—	8,868
Change in proportion and difference between state contributions and proportionate share of contributions	10,226	3,433
State contributions subsequent to the measurement date	78,123	—
Total	$ 199,587	$ 149,607

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 1	
2022	$ (61,433)
2023	$ (3,203)
2024	$ 17,464
2025	$ 29,962
2026	$ —
Thereafter	$ —

LEOFF Plan 2	
2022	$ (57,653)
2023	$ (7,014)
2024	$ 12,633
2025	$ 27,477
2026	$ (4,490)
Thereafter	$ 904

3. Tables for Plans Administered by the Department of Retirement Services

TABLE 1: Single Employer Plan Membership

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2020, the date of the latest actuarial valuation for all plans:

	Number of Participating Members			
Plans	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
WSPRS 1	1,196	66	373	1,635
WSPRS 2	2	39	681	722
JRS	87	—	—	87
JRF	10	—	—	10
Total	1,295	105	1,054	2,454

TABLE 2: Change in Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2020, the date of the latest actuarial valuation for all plans, with the results rolled forward to the June 30, 2021, measurement date (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	JRF
TOTAL PENSION LIABILITY			
Service cost	$ 23,091	$ —	$ —
Interest	100,877	2,634	80
Changes of benefit terms	2,400	—	—
Differences between expected and actual experience	11,919	(447)	(315)
Changes of assumptions	581	3,675	12
Benefit payments, including refunds of member contributions	(68,838)	(7,921)	(265)
Net Change in Total Pension Liability	70,030	(2,059)	(488)
Total Pension Liability--Beginning	1,373,918	79,178	2,427
Total Pension Liability--Ending	$ 1,443,948	$ 77,119	$ 1,939
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 19,897	$ 7,800	$ 400
Contributions--employee	10,630	—	—
Net investment income	60,358	155	18
Benefit payments, including refunds of member contributions	(68,838)	(7,921)	(265)
Administrative expense	(96)	—	—
Other	808	—	—
Net Change in Plan Fiduciary Net Position	22,759	34	153
Plan Fiduciary Net Position--Beginning	1,362,281	8,460	974
Plan Fiduciary Net Position--Ending	$ 1,385,040	$ 8,494	$ 1,127
Plan's Net Pension Liability/(Asset)--Beginning	$ 11,637	$ 70,718	$ 1,453
Plan's Net Pension Liability/(Asset)--Ending	$ 58,908	$ 68,625	$ 812

TABLE 3: Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of fiscal year 2021 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Employees Not Participating in JBM						
State agencies, local governmental units	7.92 %	7.92 %	7.92 %	6.00 %	7.90 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	4.87 %	4.87 %	4.87 %			
Total	12.97 %	12.97 %	12.97 % *			
State govt elected officials	11.88 %	7.92 %	7.92 %	7.50 %	7.90 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	7.31 %	4.87 %	4.87 %			
Total	19.37 %	12.97 %	12.97 % *			
Employees Participating in JBM						
State agencies	10.42 %	10.42 %	10.42 %	9.76 %	17.25 %	7.50%***
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	4.87 %	4.87 %	4.87 %			
Total	15.47 %	15.47 %	15.47 % *			
Local governmental units	7.92 %	7.92 %	7.92 %	12.26 %	19.75 %	7.50%***
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	4.87 %	4.87 %	4.87 %			
Total	12.97 %	12.97 %	12.97 % *			
TRS						
Employees Not Participating in JBM						
State agencies, local governmental units	8.15 %	8.15 %	8.15 %	6.00 %	7.77 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
TRS Plan 1 UAAL	7.41 %	7.41 %	7.41 %			
Total	15.74 %	15.74 %	15.74 % *			
State govt elected officials	8.15 %	8.15 %	8.15 %	7.50 %	7.77 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
TRS Plan 1 UAAL	7.41 %	7.41 %	7.41 %			
Total	15.74 %	15.74 %	15.74 % *			
Employees Participating in JBM						
State agencies	8.15 %	N/A	N/A	9.76 %	N/A	N/A
Administrative fee	0.18 %	N/A	N/A			
TRS Plan 1 UAAL	7.41 %	N/A	N/A			
Total	15.74 %					
LEOFF						
Ports and universities	N/A	8.59 %	N/A	N/A	8.59 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	0.18 %	8.77 %				
Local governmental units	N/A	5.15 %	N/A	N/A	8.59 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	0.18 %	5.33 %				
State of Washington	N/A	3.44 %	N/A	N/A	N/A	N/A
WSPRS						
State agencies	17.66 %	17.66 %	N/A	8.61 %	8.61 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	17.84 %	17.84 %				
PSERS						
State agencies, local governmental units	N/A	7.20 %	N/A	N/A	7.20 %	N/A
Administrative fee	N/A	0.18 %	N/A			
PSERS Plan 1 UAAL	N/A	4.87 %	N/A			
Total		12.25 %				

* Plan 3 defined benefit portion only.
** Variable from 5% to 15% based on rate selected by the member.
*** Minimum rate.
N/A indicates data not applicable.

C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS AND RESERVE OFFICERS

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Plan Description. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935, and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2021, there were approximately 362 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

Plan Members. Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2020, VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,669
Inactive plan members entitled to but not yet receiving benefits	6,148
Active plan members*	8,244
Total membership	19,061

**Does not include 1,661 active plan members who have chosen not to join the pension plan.*

Benefits Provided. VFFRPF provides retirement, disability, and death benefits to eligible members. Benefits are established in chapter 41.24 RCW which may be amended only by the Legislature.

Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Municipalities consist of fire departments, emergency medical service districts, and law enforcement agencies.

Normal retirement is available at the age of 65 with at least ten years of membership service. The monthly plan benefit formula is $50 plus $10 times the number of years the member made pension contributions times a membership service percentage. The maximum monthly pension benefit is $300. Reduced pensions are available for members beginning at the age of 60 with at least 10 years of service.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214 thousand. Funeral and burial expenses are also paid in a lump sum of $2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system an amount equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2021.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2021, the fire insurance premium tax contribution was $7.7 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary (OSA). All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for calendar year 2021 were the following:

State of Washington

	Firefighters	EMSD & Reserve Officers
Member fee	$ 30	$ 30
Municipality fee	30	105
Total fee	$ 60	$ 135

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3.B.

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return. Eligible investments are only those securities and deposits authorized by statute.

Further information about the investment of pension funds by the OST, their valuation, classifications, concentrations, and maturities can be found in Note 3.F.

Rate of Return. The money-weighted rates of return are provided by the WSIB and OST. For the year ended June 30, 2021, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 3.11 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

Pension Liability/(Asset). The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2021, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 246,205
Plan fiduciary net position	268,210
Participating municipality net pension liability/ (asset)	$ (22,005)
Plan fiduciary net position as a percentage of the total pension liability	108.94%

Actuarial Assumptions. The VFFRPF has a long-term expected rate of return of 6.00 percent. For further details, see the *2020 VFF Actuarial Valuation Report*.

Inflation	2.25%
Salary increases	N/A
Investment rate of return	6.00%

The mortality assumptions used for this plan are consistent with assumptions used for Public Employees' Retirement System.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the 2021 Pension Experience Study, the 2021 Report on Financial Condition and Economic Experience Study, and the 2018 Relief Experience Study.

The OSA selected a 6.00 percent long-term expected rate of return on the WSIB pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The CMAs contain the following three pieces of information for each class of asset the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between annual returns of each asset class with every other asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Public equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.25 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

For additional information and background on the OSA's development of the long-term rate of return assumptions, refer to the 2021 Report on Financial Condition and Economic Experience Study located on the OSA website. The selection of this assumption and economic experience studies are further detailed in the Department of Retirement Systems (DRS), Annual Comprehensive Financial Report's actuarial certification letter found on the DRS website.

In consultation with the OST, the OSA selected a 3.50 percent long-term investment rate of return on assets managed by the OST. See OSA's 2020 VFF Actuarial Report for further details. https://leg.wa.gov/osa/presentations/Documents/Valuations/2020VAVR FinalWeb.pdf.

As the VFFRPF has assets managed by both the WSIB and the OST, the long-term expected rate of return of 6.00 percent represents an approximate 90 percent/10 percent weighted-average of the assets managed by the WSIB and OST, respectively. See the 2020 VFF Actuarial Valuation Report for further details.

Discount Rate. The discount rate used to measure the total pension liability was 6.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions in OSA's Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.00 percent on plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 6.00 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.00 percent) or 1 percentage point higher (7.00 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability/(Asset)		
1% decrease	$	9,737
Current discount rate	$	(22,005)
1% increase	$	(47,968)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

Plan Description. Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangements. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP's were reported under GASB Statement No. 73.

The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a separate plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

RCW 28B.10.400, et seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

The Higher Education Defined Contribution Retirement Plans are described in Note 11.E.

Benefits Provided. The Higher Education Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all Higher Education Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The goal income is equal to 2 percent of the member's highest two-year average annual salary multiplied by the number of years of service. Benefit service is capped at 25 years. The member's assumed income is an annuity benefit the retired member would receive had they invested their contribution equally between a fixed income and a variable income annuity investment. Plan members have the option to retire early with reduced benefits.

Actuarial Assumptions. The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2020, with the results rolled forward to the June 30, 2021, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50%-4.00%
Fixed income and variable income investment returns*	N/A

Measurement reflects actual investment returns through June 30, 2020

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Most actuarial assumptions used in the June 30, 2020, valuation were based on the results of the August 2021 Supplemental Plan Experience Study. Additional assumptions related to salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes. Some significant changes in plan provisions and actuarial assumptions from the prior fiscal year impacted the TPL.

House Bill 1661 (Chapter 103 Laws of 2020) created dedicated funds to pay SRP benefits that mimic the trust arrangements for the rest of the state retirement systems. The change results in the SRP reporting under GASB 67/68 instead of GASB 73. As a result of this change:

- The discount rate is based on the long-term expected rate of return on the pension plan investments. This resulted in an increase in the discount rate used to measure the TPL from 2.21 percent as of June 30, 2020, to 7.40 percent.
- The TPL is now compared against the plan's fiduciary net position to determine the net pension liability.

Additionally, OSA recently completed an experience study which modified multiple assumptions to estimate future plan experience.

Discount Rate. The discount rate used to measure the TPL was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 7.40 percent for the June 30, 2021, measurement date.

Pension Expense. The Pension Expense is the summation of a number of components, including benefits earned during the fiscal year and interest on the TPL. These numbers are sensitive to assumption changes and plan experience and can be volatile from year to year.

For the year ended June 30, 2021, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense		
Plans		
University of Washington (UW)	$	(29,561)
Washington State University (WSU)		(8,579)
Eastern Washington University (EWU)		(635)
Central Washington University (CWU)		(1,815)
The Evergreen State College (TESC)		(638)
Western Washington University (WWU)		(1,839)
State Board for Community and Technical Colleges (SBCTC)		(5,893)
Total	**$**	**(48,960)**

Plan Membership. Membership of the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2020, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
University of Washington (UW)	1,076	160	5,081	6,317
Washington State University (WSU)	399	53	1,591	2,043
Eastern Washington University (EWU)	57	59	290	406
Central Washington University (CWU)	64	4	81	149
The Evergreen State College (TESC)	28	13	144	185
Western Washington University (WWU)	79	3	483	565
State Board for Community and Technical Colleges (SBCTC)	293	325	4,623	5,241
Total	1,996	617	12,293	14,906

Change in Net Pension Liability/(Asset). The following table presents the change in net pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2021 (expressed in thousands):

Change in Net Pension Liability/(Asset)	UW	WSU	EWU	CWU	TESC	WWU	SBCTC
TOTAL PENSION LIABILITY							
Service cost	$ 22,877	$ 3,114	$ 668	$ 74	$ 250	$ 922	$ 4,672
Interest	17,677	2,666	523	187	201	798	3,323
Differences between expected and actual experience	(372,651)	(47,565)	(7,646)	(1,386)	(3,198)	(15,050)	(29,981)
Changes of assumptions	(223,327)	(33,228)	(7,364)	(2,394)	(2,495)	(8,260)	(54,110)
Benefit payments	(9,733)	(2,827)	(280)	(467)	(119)	(524)	(1,992)
Net Change in Total Pension Liability	$ (565,158)	$ (77,840)	$ (14,099)	$ (3,987)	$ (5,361)	$ (22,115)	$ (78,088)
Total Pension Liability--Beginning	781,829	118,942	23,139	8,622	8,894	35,442	146,676
Total Pension Liability--Ending	$ 216,672	$ 41,102	$ 9,040	$ 4,635	$ 3,533	$ 13,327	$ 68,588
PLAN FIDUCIARY NET POSITION							
Contributions--Employer	$ 7,105	$ 919	$ 165	$ 173	$ 40	$ 196	$ 656
Net Investment Income	22,275	4,422	892	894	348	1,326	8,211
Net Change in Plan Fiduciary Net Position	29,380	5,341	1,057	1,067	388	1,522	8,866
Plan Fiduciary Net Position--Beginning	60,961	12,305	2,492	2,493	984	3,733	23,393
Plan Fiduciary Net Position--Ending	$ 90,341	$ 17,646	$ 3,549	$ 3,560	$ 1,372	$ 5,255	$ 32,259
Plan's Net Pension Liability (Asset)--Ending	$ 126,331	$ 23,456	$ 5,490	$ 1,075	$ 2,162	$ 8,072	$ 36,329

Note: Figures may not total due to rounding.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following table presents the net pension liability/(asset), calculated using the discount rate of 7.40 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

Net Pension Liability / (Asset)			
Plans	1% Decrease	Current Discount Rate	1% Increase
University of Washington (UW)	$ 149,669	$ 126,331	$ 106,289
Washington State University (WSU)	27,303	23,456	20,120
Eastern Washington University (EWU)	6,396	5,490	4,711
Central Washington University (CWU)	1,431	1,075	762
The Evergreen State College (TESC)	2,479	2,162	1,885
Western Washington University (WWU)	9,449	8,072	6,884
State Board for Community and Technical Colleges (SBCTC)	43,527	36,329	30,132
Total	$ 240,254	$ 202,915	$ 170,783

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

University of Washington (UW)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 87,128	$ 365,021
Changes of assumptions	128,885	211,024
Difference between projected and actual	—	14,004
Total	$ 216,013	$ 590,049

Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,831	$ 48,529
Changes of assumptions	16,970	31,375
Difference between projected and actual	—	2,782
Total	$ 20,801	$ 82,686

Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,625	$ 7,176
Changes of assumptions	2,965	6,648
Difference between projected and actual	—	562
Total	$ 5,590	$ 14,386

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 42	$ 616
Changes of assumptions	138	1,064
Difference between projected and actual	—	562
Total	$ 180	$ 2,242

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 321	$ 3,245
Changes of assumptions	1,216	2,252
Difference between projected and actual	—	219
Total	$ 1,537	$ 5,716

Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,612	$ 15,201
Changes of assumptions	5,146	7,955
Difference between projected and actual	—	834
Total	$ 7,758	$ 23,990

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,750	$ 39,567
Changes of assumptions	22,990	50,185
Difference between projected and actual	—	5,164
Total	$ 32,740	$ 94,916

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

University of Washington (UW)			Washington State University (WSU)			Eastern Washington University (EWU)			Central Washington University (CWU)		
2022	$	(65,346)	2022	$	(13,416)	2022	$	(1,636)	2022	$	(1,641)
2023	$	(65,346)	2023	$	(12,741)	2023	$	(1,479)	2023	$	(141)
2024	$	(65,346)	2024	$	(10,039)	2024	$	(1,113)	2024	$	(141)
2025	$	(51,766)	2025	$	(9,344)	2025	$	(1,567)	2025	$	(139)
2026	$	(42,448)	2026	$	(10,131)	2026	$	(2,064)	2026	$	—
Thereafter	$	(83,784)	Thereafter	$	(6,214)	Thereafter	$	(937)	Thereafter	$	—

The Evergreen State College (TESC)			Western Washington University (WWU)			State Board for Community and Technical Colleges (SBCTC)		
2022	$	(1,015)	2022	$	(3,276)	2022	$	(12,133)
2023	$	(855)	2023	$	(2,944)	2023	$	(12,133)
2024	$	(748)	2024	$	(2,171)	2024	$	(10,485)
2025	$	(776)	2025	$	(2,160)	2025	$	(8,012)
2026	$	(785)	2026	$	(3,246)	2026	$	(7,400)
Thereafter	$	—	Thereafter	$	(2,435)	Thereafter	$	(12,013)

E. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in

the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2021, there were no active members, 98 inactive members and one member receiving monthly benefits in JRA. The state, through the AOC, is the sole participating employer.

Beginning January 1, 2007, any justice or judge who was in a judicial position at that time and who chose to join the Judicial Benefit Multiplier (JBM) Program could no longer participate in JRA. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS Plan 1 or TRS Plan 1 they will rejoin that plan, but if they have never had membership, they will be enrolled as a member of both PERS Plan 2 and JBM.

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate or such person or persons, trust or organization, as the member has nominated by written designation.

For fiscal year 2021, the state recognized a pension refund for contributions of $5 thousand made to employee accounts.

The administrator of JRA has entered an agreement with the DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, the DRS is responsible for all record keeping, accounting, and reporting of member accounts and the WSIB is granted the full power to establish investment policy, develop participant investment options, and manage the investment funds for the JRA Plan, consistent with the provisions of RCW 2.14.080 and 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 3.74 percent to 9.40 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For fiscal year 2021, employer and employee contributions were $242.2 and $238.3 million, respectively, for a total of $480.5 million.

Note 12
Other Postemployment Benefits

General Information
The state implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 13 of the state's K-12 schools and educational service districts (ESDs)[1], and 261 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan.

Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants
As of June 30, 2020

Active employees*	129,218
Retirees receiving benefits**	35,843
Retirees not receiving benefits***	6,000
Total active employees and retirees	171,061

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.

**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. They are not eligible for benefits unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the state of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, Service Employees' Retirement System, Washington State Patrol Retirement System, Higher Education Retirement Plans, Judicial Retirement System, and Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

In calendar year 2020, the average weighted implicit subsidy was valued at $372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be $384 per adult unit per month.

[1] The decrease in school district and ESD's participating in the PEBB OPEB Plan from the prior year is due to the creation of the School Employees Benefits Board Plan by HB 2242 in the 2017 legislative session. As of June 30, 2021, there are 318 K-12 school districts and ESDs with represented employees participating in the SEBB Plan.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2021, the explicit subsidy was up to $183 per member per month, and it will remain $183 per member per month in calendar year 2022.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,120
Dental		81
Life		4
Long-term disability		2
Total	$	1,207
Employer contribution	$	1,041
Employee contribution		166
Total	$	1,207

*Per 2020 PEBB Financial Projection Model version 8.0. Per capita cost based on subscribers, includes non-Medicare risk pool only. Figures based on calendar year 2020 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to the Office of the State Actuary's (OSA) website: https:// leg. wa. gov/ osa/ additional services/ Pages/OPEB.aspx. Please note that the results from OSA's report will not precisely match this publication due to the exclusion of a component unit that reports on a cash basis, and inclusion of a component unit not included in OSA's valuation report.

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2020
Actuarial measurement date	6/30/2020
Actuarial cost method	Entry Age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - No Assets

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (i.e., the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75%
Projected salary changes	3.50% plus service-based salary increases
Health care trend rates	Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

In projecting the growth of the explicit subsidy, after 2022 when the cap is $183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2013-2018 Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2019 Economic Experience Study.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date and 2.21 percent for the June 30, 2020, measurement date.

Additional detail on assumptions and methods can be found on OSA's website.

Total OPEB Liability. As of June 30, 2021, the state reported a total OPEB liability of $6.06 billion.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the June 30, 2021, reporting date (expressed in thousands):

Changes in Total OPEB Liability	State	Component Units	Total
Total OPEB Liability - Beginning as restated	$ 5,800,108	$ 5,087	$ 5,805,195
Changes for the year:			
Service cost	251,118	399	251,517
Interest	210,064	165	210,229
Difference between expected and actual experience*	(32,190)	(19)	(32,209)
Changes in assumptions*	136,169	202	136,371
Changes in proportion	187	(184)	3
Benefit payments	(100,015)	(77)	(100,092)
Other**	(213,966)	(128)	(214,094)
Net Changes in Total OPEB Liability	251,367	358	251,725
Total OPEB liability - Ending	$ 6,051,475	$ 5,445	$ 6,056,920

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

**Impact of removing trends that include excise tax. Legislation under H.R. 1865 repealed the excise tax after the previous measurement date.

The increase in the total OPEB liability is due to changes in assumptions resulting from a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the state as an employer calculated using the discount rate of 2.21 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% decrease	$ 7,326,844	$ 6,412	$ 7,333,256
Current discount rate	$ 6,051,475	$ 5,445	$ 6,056,920
1% increase	$ 5,058,419	$ 4,650	$ 5,063,069

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the state as an employer, calculated using the health care trend rates of 2-11 percent reaching an ultimate range of 4.30 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12%) than the current rate (expressed in thousands):

	State	Component Units	Total
1% decrease	$ 4,931,309	$ 4,429	$ 4,935,738
Current health care cost trend rate	$ 6,051,475	$ 5,445	$ 6,056,920
1% increase	$ 7,553,262	$ 6,769	$ 7,560,031

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2021, the state recognized OPEB expense of $68.7 million.

On June 30, 2021, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB for the state, including component units, from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 132,839	$ 28,875
Changes of assumptions	416,500	1,428,150
Transactions subsequent to the measurement date	106,505	—
Changes in proportion	196,065	196,094
Total	$ 851,909	$ 1,653,119

Deferred outflows of resources and deferred inflows of resources related to OPEB for component units as of the June 30, 2021, reporting date were as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 80	$ 261
Changes of assumptions	381	962
Transactions subsequent to the measurement date	64	—
Changes in proportion	92	232
Total	$ 617	$ 1,455

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the state will be recognized in OPEB expense in the fiscal years ended June 30 (expressed in thousands):

Subsequent Years		
2022	$	(178,864)
2023	$	(178,864)
2024	$	(178,864)
2025	$	(178,864)
2026	$	(178,864)
Thereafter	$	(13,395)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for component units will be recognized in OPEB expense in the fiscal years ended June 30 (expressed in thousands):

Subsequent Years		
2022	$	(145)
2023	$	(145)
2024	$	(145)
2025	$	(145)
2026	$	(145)
Thereafter	$	(177)

Note 13

Derivative Instruments

Hedging Derivative Instruments

In addition to investment derivative instruments as described in Note 3, the state, through the Washington State Department of Transportation Ferries Division (WSF), entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2021 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2021		Notional Amount
	Classification	Amount	Classification	Amount	(in Gallons)
Governmental Activities					
Cash flow hedges:					
Commodity swaps	Deferred Outflow	$ (2,347)	Accounts Payable	$ —	—

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

Objective

The objective for the hedge transaction is to minimize the volatility of the price of diesel fuel and therefore stabilize the percentage of the WSF operating budget represented by fuel purchases.

To accomplish this, a strategy of active hedging has been implemented by WSF to control the uncertain costs of fuel and allow for more accurate budget estimates.

Significant Terms

The significant terms of WSF active hedges during fiscal year 2021 are presented in the following table:

Type	Counterparty	Contract Price per Gallon	Variable Rate Received	Trade Date	Settlement Period	Monthly Notional Amount (in Gallons)
Commodity Swap	BofA - Merrill Lynch	1.72	NYMEX ULSD Heating Oil	1/27/2020	7/2020 - 6/2021	252,000
Commodity Swap	BofA - Merrill Lynch	1.72	NYMEX ULSD Heating Oil	2/14/2020	7/2020 - 6/2021	252,000
Commodity Swap	BofA - Merrill Lynch	1.24	NYMEX ULSD Heating Oil	3/16/2020	7/2020 - 6/2021	252,000

The hedging strategy consists of a reference to futures contracts of New York Mercantile Exchange (NYMEX) Ultra Low Sulfur Diesel (ULSD) Heating Oil. This commodity remains highly correlated to the diesel fuel type being used by WSF. These fuel hedges require no initial cash investment and provide monthly settlements.

The monthly settlements are based on the daily prices of the respective commodities whereby WSF will either receive a payment or make a payment to the counterparty, depending on the average monthly prices of the commodities in relation to the contract prices.

Fair Value

The state reports its hedging derivative instruments at fair value as either accounts payable - liability (negative fair value amount) or as other receivables - asset (positive fair value amount). The fair value represents the current price to settle swap assets or liabilities in the market place if a swap were to be terminated. The changes in fair value for hedging derivative instruments represent the unrealized gain or loss on the contracts and are reported as deferred inflows or deferred outflows of resources, respectively. At fiscal year end, the state reports the fair value and changes in fair value related to hedging derivative instruments on the Balance Sheet for Nonmajor Governmental Funds and the Government-wide Statement of Net Position.

Risks

The following risks are generally associated with commodity swap agreements:

Basis risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Statistically, the relationship between heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

Termination Risk. Termination risk is the risk that there will be a mandatory early termination of the commodity swap that would result in WSF either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty suffers degraded credit quality or fails to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

Credit Risk. Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative instrument's fair value. When the fair value of any derivative instrument has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2021, credit ratings of the state's counterparty were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Bank of America Merrill Lynch International Limited	-	A+	AA

Note 14
Tax Abatements

During fiscal year 2021, the state of Washington provided material tax abatements through seven programs, four of which are only available to businesses in the aerospace industry.

Data Center Server Equipment and Power Infrastructure Tax Exemption

Per Revised Code of Washington (RCW) 82.08.986 and 82.12.986, the purchase or use of server equipment and power infrastructure in data centers within the state of Washington, along with certain related labor and services charges, may be exempt from sales and use tax to encourage immediate investments in technology facilities. The Department of Revenue (DOR) will issue an exemption certificate, which the buyer must present to the seller at the time of the sale in order to make eligible tax-exempt purchases.

Within six years of the date that the exemption certificate is issued, the certificate holder must establish that net employment at the computer data center has increased by a minimum of 35 family wage positions or 3 family wage employment positions for each 20,000 square feet or less of space. Family wage employment positions are new permanent employment positions requiring 40 hours of weekly work, or their equivalent, at the eligible computer data center, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located. All previously exempted sales and use tax are immediately due and payable for a qualifying business that does not meet these requirements.

High-Technology Business Tax Deferral Program

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in the state of Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31 of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Multi-Unit Urban Housing Tax Exemption

RCW 84.14.020 allows for a property tax exemption to improve residential opportunities, including affordable housing opportunities, in urban centers. In order to qualify for the exemption, the new or rehabilitated multiple-housing unit must be located in a targeted residential area designated by the city or county, provide for a minimum of 50 percent of the space for permanent residential occupancy, meet all construction and development regulations, and be completed within three years of the application approval date. To qualify as a rehabilitated unit, the property must also fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995.

The property owner must apply for the exemption certificate with the city or county where the property is located before beginning construction. If the application is approved, the exemption certificate will be issued after the owner certifies all requirements have been met upon completion of the project. If the application for a tax exemption certificate was submitted before July 22, 2007, the property is exempt for ten years. If the application for a tax exemption certificate was submitted on or after July 22, 2007, the property is exempt for eight years, unless the applicant commits to renting or selling at least 20 percent of the units as affordable housing units to low and moderate-income households, making it exempt for 12 years. Each tax exemption certificate recipient must submit an annual report to the city or county. If a portion of the property no longer meets the exemption requirements, the tax exemption is canceled and a lien will be placed on the land for the additional real property tax on the value of the non-qualifying improvements plus a 20 percent penalty and interest.

Aerospace Incentives

The state of Washington provides tax abatement programs to the aerospace industry to encourage the industry's continued presence in the state.

RCW 82.04.4461 allows a business and occupation (B&O) tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington. A business claiming the credit must file an annual report with DOR.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a B&O tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction as prescribed in the RCW.

Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components. A business claiming the credit must file an annual report with DOR.

Non-manufacturers engaged in the business of aerospace product development and certificated Federal Aviation Regulation repair stations making retail sales are eligible for a B&O tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services. A business claiming the credit must file an annual report with DOR.

The purchase and use of computer hardware, software, or peripherals, including installation charges, is exempt from sales and use tax per RCW 82.08.975 and 82.12.975 if the item is used primarily in developing, designing, and engineering aerospace products. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCW 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. Per RCW 82.32.330(2), the amount of sales and use tax abated from this exemption cannot be disclosed because there are fewer than three taxpayers that received the exemption in fiscal year 2021.

The following table shows the amount of taxes abated during fiscal year 2021 (expressed in thousands):

Tax Abatement Program	Amount of Taxes Abated
Data center server equipment and power infrastructure exemption	$ 54,770
High-technology business tax deferral program	33,487
Multi-unit urban housing tax exemption	35,730
Aerospace incentives:	
Aerospace product development expenditures credit	55,726
Aerospace business facilities credit	22,127
Computer hardware, software, and peripherals exemption	5,103
TOTAL	$ 206,942

Note 15
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $5.09 billion at June 30, 2021.

B. ENCUMBRANCES

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed, or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation period. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. There were no encumbrances outstanding against continuing appropriations at the end of fiscal year 2021.

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures and revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is defending a case where the plaintiffs challenge the constitutionality of the capital gains tax which will go into effect in January 2022. The new tax is estimated to bring in approximately $442 million per year starting fiscal year 2023.

The state is also the defendant in a number of cases alleging inadequate funding of state programs or services, as well as various assertions by unions representing individual service providers. Claims include insufficient funding for the provision of mental health services to Medicaid eligible children; insufficient competency services at state hospitals; and violation of the Minimum Wage Act. Collective claims in these programmatic and service cases exceed $35 million. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses.

The annual payments to each state under the MSA are subject to a number of adjustments, including the nonparticipating manufacturer (NPM) adjustment. The NPM adjustment is a downward adjustment that is applicable to any state found by an arbitration panel not to have diligently enforced the qualifying statute. The amount of the available adjustment is calculated every year by Price Waterhouse Coopers and is typically $1.25 billion. States found not diligent share the costs of that downward adjustment and the adjustment is applied against the next annual MSA payment. No state can lose more than its entire annual payment.

For every annual MSA payment cycle since 2006, the participating manufacturers have withheld the amount of the available NPM adjustment from their MSA payments claiming all of the states were not diligent, depositing the amount of the available adjustment into a Disputed Payments Account. For Washington, the amount withheld from each payment has been in the range of approximately $17.5 million to $22.2 million. The states are required to sue the participating manufacturers to recover the withheld amounts.

The withholding in 2006 challenged the states' diligence for calendar year 2003. That challenge marked the first time the NPM adjustment procedure was involved and led to diligent enforcement arbitration. The arbitration occurred in two stages: a national hearing on "common issues" and then state's specific case.

During the 2003 NPM adjustment dispute, 22 states settled their dispute. The participating manufacturers agreed to a 54 percent reduction in their annual MSA payments and to additional NPM enforcement obligations. On September 11, 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and therefore, for that calendar year, is not subject to an NPM adjustment under the MSA. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received.

The 2004 NPM adjustment dispute has been underway since shortly after the conclusion of the 2003 dispute. In September 2019, one of the states' three elected arbitration panel members passed away before any decisions were finalized. The states subsequently selected a replacement who reviewed all filings and transcripts and participated in the panel's decisions.

In September 2021, the panel determined that Washington was not diligent and decided two central legal issues to the contrary of the 2003 panel rulings. Washington faces a potential downward NPM adjustment in its next MSA payment between $29 million $137 million. The amount of any penalty against Washington's next MSA payment will be determined by post-award litigation over the validity of the 2004 panel's ruling and its rulings on reallocation.

The 2005, 2006, and 2007 NPM Adjustment disputes are currently underway and the arbitration panel for multiple years has convened for the first time. The common case for those years is set for July 6 to July 15, 2022. State specific hearings will commence in the fall of 2022.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of $16.32 billion at June 30, 2021. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2045.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state for all money drawn on their behalf, as well as interest and penalties.

On June 1, 2021, the state made a debt service payment of $3.2 million on behalf of a school district when its debt service wire payment failed to transmit to the receiving bank before the deadline due to technical issues. The wire payment was subsequently transmitted successfully, and the state was fully refunded on the same day.

G. COLUMBIA RIVER CROSSING

The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle, and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately $54 million in federal funds, of which $15 million was jointly awarded to Washington and Oregon.

Under Federal Highway Administration (FHWA) policy, failure to advance a project to the construction phase within 10 years of the initial obligation of funds could trigger a requirement to repay federal funds used on the project. FHWA has granted Washington and Oregon an extension to September 30, 2024.

In 2019, the Washington Legislature provided $35 million to establish a project office jointly staffed by Washington and Oregon. The funding also covers pre-design activities to replace the I-5 Columbia River bridge crossing. The

Oregon Transportation Commission (OTC) allocated $9 million as the state's initial contribution to restarting the work. In August 2019, the OTC approved an additional $4 millions to be obligated to the program from the fiscal year 2020 federal redistribution funds.

In April 2020, WSDOT and ODOT signed a funding and administration agreement committing to jointly approve expenditures and equally fund the program. A program administrator was hired in June 2020 to act on behalf of both states.

In August 2020, the OTC approved an additional $6 million to be obligated to the program from the fiscal year 2021 federal redistribution funds, followed by an additional $30 million in March 2021. ODOT and WSDOT have initiated program development efforts including re-engaging program partners and stakeholders and resuming bi-state legislative committee engagement.

H. OTHER COMMITMENTS AND CONTINGENCIES

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and, in the year 2000, for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds, to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2021, outstanding COP notes totaled $135.3 million for 137 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 16
Subsequent Events

A. BOND ISSUES

In July 2021, the state issued:

- $599.5 million in general obligation bonds to provide funds to pay and reimburse for various state capital projects.
- $42.3 million in motor vehicle fuel tax general obligation bonds to provide funds to pay and reimburse for construction of state and local highway improvements and preservation projects.
- $93.1 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.

In November 2021, the state issued:

- $133.0 million in general obligation refunding bonds for the purpose of refunding certain various general obligation bonds of the state.
- $133.4 million in motor vehicle fuel tax general obligation refunding bonds for the purpose of refunding certain motor vehicle fuel tax general obligation bonds of the state.

B. CERTIFICATES OF PARTICIPATION

In October 2021, the state issued $26.4 million in Certificates of Participation (COPs), of which $6.9 million were refunding COPs.

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULES

General Fund

For the Biennium Ended June 30, 2021

(expressed in thousands)

	Original Budget 2019-21 Biennium	Final Budget 2019-21 Biennium	Actual 2019-21 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 3,265,160	$ 3,265,160	$ 3,265,160	$ —
Resources				
Taxes	48,881,435	49,281,334	49,632,324	350,990
Licenses, permits, and fees	245,094	247,555	281,231	33,676
Other contracts and grants	903,905	917,992	673,117	(244,875)
Timber sales	7,740	9,234	8,721	(513)
Federal grants-in-aid	25,740,835	31,236,124	26,537,469	(4,698,655)
Charges for services	111,396	125,270	166,310	41,040
Investment income (loss)	92,309	74,862	71,986	(2,876)
Miscellaneous revenue	504,520	443,812	403,008	(40,804)
Unclaimed property	178,743	253,184	254,078	894
Transfers from other funds	2,087,173	4,247,326	4,947,480	700,154
Total Resources	82,018,310	90,101,853	86,240,884	(3,860,969)
Charges To Appropriations				
General government	4,666,396	6,822,417	5,154,094	1,668,323
Human services	40,112,938	42,808,609	40,893,615	1,914,994
Natural resources and recreation	902,718	1,062,906	926,325	136,581
Transportation	150,242	152,062	135,467	16,595
Education	31,757,555	31,736,871	30,002,144	1,734,727
Capital outlays	1,050,822	1,032,839	348,024	684,815
Transfers to other funds	851,816	3,806,983	3,884,722	(77,739)
Total Charges To Appropriations	79,492,487	87,422,687	81,344,391	6,078,296
Excess Available For Appropriation Over (Under) Charges To Appropriations	2,525,823	2,679,166	4,896,493	2,217,327
Reconciling Items				
Bond sale proceeds	375,491	93,598	171,972	78,374
Issuance premiums	—	2,272	3,784	1,512
Assumed reversions	353,704	699,567	—	(699,567)
Working capital adjustment	—	—	(175,000)	(175,000)
Noncash activity (net)	—	—	295,016	295,016
Nonappropriated fund balances	—	—	69,444	69,444
Changes in reserves (net)	—	—	(334,138)	(334,138)
Total Reconciling Items	729,195	795,437	29,555	(765,882)
Budgetary Fund Balance, June 30	$ 3,255,018	$ 3,474,603	$ 4,926,048	$ 1,451,445

The separately submitted report that demonstrates compliance at a legal level of budgetary control is traceable to the Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual found in the Individual Fund Schedules section.

BUDGETARY COMPARISON SCHEDULES

General Fund - Budget to GAAP Reconciliation
For the Biennium Ended June 30, 2021
(expressed in thousands)

Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 86,240,884
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(4,947,480)
Budgetary fund balance at the beginning of the biennium, as restated	(3,265,160)
Appropriated loan principal repayment	(207)
The following items are not inflows of budgetary resources but are	
revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	4,241,841
Revenues collected for other governments	272,333
Unanticipated receipts	3,425,912
Noncash revenues	249,535
Other	50,642
Biennium total revenues	86,268,300
Fiscal year 2020 total revenues	(38,977,410)
Nonappropriated activity	49,286
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 47,340,176
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 81,344,391
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are	
not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(3,592,394)
Other transfers to other funds	(3,884,722)
Appropriated loan disbursements	(31)
The following items are not outflows of budgetary resources but are	
recorded as current expenditures for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	4,241,841
Distributions to other governments	272,333
Certificates of participation and capital lease acquisitions	19,794
Expenditures related to unanticipated receipts	3,425,912
Other	14,091
Biennium total expenditures	81,841,253
Fiscal year 2020 total expenditures	(38,315,455)
Nonappropriated activity	1,026,482
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 44,552,280

BUDGETARY COMPARISON SCHEDULES

Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2021
(expressed in thousands)

	Original Budget 2019-21 Biennium	Final Budget 2019-21 Biennium	Actual 2019-21 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,325,579	$ 1,325,579	$ 1,325,579	$ —
Resources				
Taxes	1,018,660	2,015,320	1,947,626	(67,694)
Investment income (loss)	6,404	43,157	30,957	(12,200)
Miscellaneous revenue	1,771	1,704	—	(1,704)
Transfers from other funds	182,160	235,393	235,331	(62)
Total Resources	2,534,574	3,621,689	3,539,493	(82,196)
Charges To Appropriations				
General government	432	432	403	29
Human services	37,977	37,971	34,527	3,444
Education	2,196,099	2,765,096	2,756,382	8,714
Transfers to other funds	30,175	30,558	30,337	221
Total Charges To Appropriations	2,264,683	2,834,057	2,821,649	12,408
Excess Available For Appropriation Over (Under) Charges To Appropriations	269,891	787,632	717,844	(69,788)
Reconciling Items				
Working capital adjustment	—	—	17,308	17,308
Noncash activity (net)	—	—	(12,405)	(12,405)
Nonappropriated fund balances	—	—	3,561,883	3,561,883
Changes in reserves (net)	—	—	(206,888)	(206,888)
Total Reconciling Items	—	—	3,359,898	3,359,898
Budgetary Fund Balance, June 30	$ 269,891	$ 787,632	$ 4,077,742	$ 3,290,110

BUDGETARY COMPARISON SCHEDULES

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

For the Biennium Ended June 30, 2021

(expressed in thousands)

Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 3,539,493
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(235,331)
Budgetary fund balance at the beginning of the biennium, as restated	(1,325,579)
The following items are not inflows of budgetary resources but are	
revenue for financial reporting purposes:	
Noncash revenues	154
Biennium total revenues	1,978,737
Fiscal year 2020 total revenues	(7,014,528)
Nonappropriated activity	12,323,609
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 7,287,818
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 2,821,649
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are	
not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(240,560)
Other transfers to other funds	(30,337)
Biennium total expenditures	2,550,752
Fiscal year 2020 total expenditures	(7,027,666)
Nonappropriated activity	11,557,063
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 7,080,149

BUDGETARY INFORMATION

Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. 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. Operating appropriations cover either the entire biennium or a single fiscal 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. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a

presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2019-21 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at https://ofm.wa.gov /sites /default /files /public /accounting /report /ACFR /2021/Washington State Budget to Actual Detail Report.pdf.

Legislative appropriations are strict legal limits on expenditures; over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. The Office of Financial Management is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with generally accepted accounting principles.

However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

State of Washington

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2

Last Eight Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability								
Service cost	$ 23,091	$ 22,671	$ 21,083	$ 18,474	$ 16,534	$ 16,633	$ 18,041	N/A
Interest	100,877	96,629	94,569	90,560	83,373	80,037	75,249	N/A
Changes of benefit terms	2,400	—	—	4,830	1,947	2,258	—	N/A
Differences between expected and actual experience	11,919	4,254	13,974	23,702	(10,431)	8,883	—	N/A
Changes in assumptions	581	—	(24,367)	20,921	2	17	—	N/A
Benefit payments, including refunds of member contributions	(68,838)	(64,370)	(59,634)	(56,821)	(54,159)	(50,075)	(47,510)	N/A
Net Change in Total Pension Liability	70,030	59,184	45,625	101,666	37,266	57,753	45,780	N/A
Total Pension Liability - Beginning	1,373,918	1,314,734	1,269,109	1,167,443	1,130,177	1,072,424	1,026,644	N/A
Total Pension Liability - Ending	$ 1,443,948	$ 1,373,918	$ 1,314,734	$ 1,269,109	$ 1,167,443	$ 1,130,177	$ 1,072,424	$ 1,026,644
Plan Fiduciary Net Position								
Contributions - employer	$ 19,897	$ 14,700	$ 14,203	$ 7,587	$ 7,044	$ 6,679	$ 6,587	N/A
Contributions - employee	10,630	10,744	9,922	10,454	8,895	6,323	6,555	N/A
Net investment income	60,358	111,123	113,597	151,021	25,352	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(68,838)	(64,370)	(59,634)	(56,821)	(54,159)	(50,075)	(47,510)	N/A
Administrative expense	(96)	(131)	(131)	(53)	(60)	(67)	(84)	N/A
Other	808	769	650	524	429	293	509	N/A
Net Change in Plan Fiduciary Net Position	22,759	72,835	78,607	112,712	(12,499)	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	1,362,281	1,289,446	1,210,839	1,098,127	1,110,626	1,098,427	955,514	N/A
Plan Fiduciary Net Position - Ending	$ 1,385,040	$ 1,362,281	$ 1,289,446	$ 1,210,839	$ 1,098,127	$ 1,110,626	$ 1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending	$ 58,908	$ 11,637	$ 25,288	$ 58,270	$ 69,316	$ 19,551	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	95.92 %	99.15 %	98.08 %	95.41 %	94.06 %	98.27 %	102.42 %	93.07 %
Covered Payroll	$ 113,704	$ 111,612	$ 109,243	$ 93,053	$ 86,660	$ 84,388	$ 85,046	$ 81,895
State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	51.81 %	10.43 %	23.15 %	62.62 %	79.99 %	23.17 %	-30.58 %	86.86 %

N/A indicates not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary.

State of Washington

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System

Last Eight Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability								
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ —	N/A
Interest	2,634	3,078	3,200	2,874	3,704	4,382	4,319	N/A
Changes of benefit terms	—	—	—	—	—	—	—	N/A
Differences between expected and actual experience	(447)	(1,793)	(2,844)	1,047	20	1,590	—	N/A
Changes in assumptions	3,675	2,372	(2,063)	(6,329)	8,737	4,335	—	N/A
Benefit payments, including refunds of employee contributions	(7,921)	(7,958)	(8,325)	(8,723)	(9,131)	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	(2,059)	(4,301)	(10,032)	(11,131)	3,330	971	(5,161)	N/A
Total Pension Liability - Beginning	79,178	83,479	93,511	104,642	101,312	100,341	105,502	N/A
Total Pension Liability - Ending	$ 77,119	$ 79,178	$ 83,479	$ 93,511	$ 104,642	$ 101,312	$ 100,341	$ 105,502
Plan Fiduciary Net Position								
Contributions - employer	$ 7,800	$ 8,400	$ 8,700	$ 9,300	$ 9,500	$ 10,600	$ 10,600	N/A
Contributions - employee	—	—	—	—	—	—	—	N/A
Net investment income	155	166	80	45	74	38	25	N/A
Benefit payments, including refunds of employee contributions	(7,921)	(7,958)	(8,325)	(8,723)	(9,131)	(9,336)	(9,480)	N/A
Administrative expense	—	—	—	—	(1)	—	—	N/A
Other	—	—	—	—	—	—	—	N/A
Net Change in Plan Fiduciary Net Position	34	608	455	622	442	1,302	1,145	N/A
Plan Fiduciary Net Position - Beginning	8,460	7,852	7,397	6,775	6,333	5,031	3,886	N/A
Plan Fiduciary Net Position - Ending	$ 8,494	$ 8,460	$ 7,852	$ 7,397	$ 6,775	$ 6,333	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending	$ 68,625	$ 70,718	$ 75,627	$ 86,114	$ 97,867	$ 94,979	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	11.01 %	10.68 %	9.41 %	7.91 %	6.47 %	6.25 %	5.01 %	3.68 %
Covered Payroll (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$ 160
State's Net Pension Liability/Asset as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	635.10 %

N/A indicates data not available.

1. Covered payroll is not applicable because there are no active plan employees beginning in 2014.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund

Last Eight Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability								
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ —	N/A
Interest	80	89	95	88	116	138	137	N/A
Changes of benefit terms	—	—	—	—	—	—	—	N/A
Differences between expected and actual experience	(315)	161	(39)	194	123	182	—	N/A
Changes of assumptions	12	50	(43)	(129)	181	95	—	N/A
Benefit payments, including refunds of member contributions	(265)	(338)	(396)	(402)	(440)	(444)	(444)	N/A
Net Change in Total Pension Liability	(488)	(38)	(383)	(249)	(20)	(29)	(307)	N/A
Total Pension Liability - Beginning	2,427	2,465	2,848	3,097	3,117	3,146	3,453	N/A
Total Pension Liability - Ending	$ 1,939	$ 2,427	$ 2,465	$ 2,848	$ 3,097	$ 3,117	$ 3,146	$ 3,453
Plan Fiduciary Net Position								
Contributions--state	$ 400	$ 500	$ 500	$ 499	$ 501	$ —	$ —	N/A
Contributions--member	—	—	—	—	—	—	—	N/A
Net investment income	18	17	8	4	6	4	7	N/A
Benefit payments, including refunds of member contributions	(265)	(338)	(396)	(402)	(440)	(444)	(444)	N/A
Administrative expense	—	—	—	—	—	—	—	N/A
Other	—	—	—	—	—	—	—	N/A
Net Change in Plan Fiduciary Net Position	153	179	112	101	67	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	974	795	683	582	515	955	1,392	N/A
Plan Fiduciary Net Position - Ending	$ 1,127	$ 974	$ 795	$ 683	$ 582	$ 515	$ 955	$ 1,392
Plan's Net Pension Liability/(Asset) - Ending	$ 812	$ 1,453	$ 1,670	$ 2,165	$ 2,515	$ 2,602	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	58.12 %	40.13 %	32.25 %	23.98%	18.79%	16.52%	30.36%	40.31%
Covered Payroll (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not available.
1. Covered payroll is not applicable because there are no active plan employees.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

State of Washington

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Washington State Patrol Retirement System - Plan 1/2
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 26,401	$ 20,882	$ 5,519	$ 118,448	17.63 %
2020	25,167	19,897	5,270	113,704	17.50 %
2019	17,020	14,700	2,320	111,612	13.17 %
2018	16,648	14,203	2,445	109,243	13.00 %
2017	8,179	7,587	592	93,053	8.15 %
2016	7,618	7,044	574	86,660	8.13 %
2015	6,810	6,679	131	84,388	7.91 %
2014	6,677	6,587	90	85,046	7.75 %
2013	2,500	6,478	(3,978)	81,895	7.91 %
2012	2,900	6,454	(3,554)	81,578	7.91 %

Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Contributions
Judicial Retirement System
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 7,505	$ 7,600	$ (95)	$ —	N/A
2020	7,643	7,800	(157)	—	N/A
2019	7,914	8,400	(486)	—	N/A
2018	8,317	8,700	(383)	—	N/A
2017	8,761	9,300	(539)	—	N/A
2016	8,999	9,500	(501)	—	N/A
2015	9,132	10,600	(1,468)	—	N/A
2014	9,205	10,600	(1,395)	—	N/A
2013	21,700	10,112	11,588	160	6320.00 %
2012	22,600	8,131	14,469	407	1997.79 %

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. Beginning in 2014, there are no active members.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Judges' Retirement Fund
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 257	$ 400	$ (143)	$ —	N/A
2020	328	400	(72)	—	N/A
2019	395	500	(105)	—	N/A
2018	395	500	(105)	—	N/A
2017	439	499	(60)	—	N/A
2016	444	501	(57)	—	N/A
2015	539	—	539	—	N/A
2014	425	—	425	—	N/A
2013	400	—	400	—	N/A
2012	300	—	300	—	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. There are no active employees.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

State of Washington

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	42.07 %	41.80 %	41.97 %	41.88 %	41.99 %	41.57 %	42.37 %
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 1,485,148	$ 1,607,475	$ 1,874,226	$ 1,987,268	$ 2,255,244	$ 2,174,623	$ 2,134,189
Covered payroll of employees participating in PERS Plan 1	$ 43,909	$ 54,779	$ 69,330	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS Plan 2/3	5,902,886	5,469,217	5,237,495	4,928,806	4,648,843	4,363,171	4,215,934
Covered payroll of employees participating in PSERS Plan 2	384,394	321,991	198,511	175,395	155,768	140,977	130,172
Covered Payroll	$ 6,331,190	$ 5,845,987	$ 5,505,336	$ 5,189,542	$ 4,907,846	$ 4,624,834	$ 4,489,942
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	23.46 %	27.50 %	34.04 %	38.29 %	45.95 %	47.02 %	47.53 %
Plan fiduciary net position as a percentage of the total pension liability/(asset)	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %	61.19 %

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	50.58 %	50.50 %	50.41 %	50.20 %	49.72 %	49.10 %	49.27 %
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 646,953	$ 490,544	$ 860,776	$ 1,744,067	$ 2,503,313	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered payroll	$ 5,902,886	$ 5,469,217	$ 5,237,495	$ 4,928,806	$ 4,648,843	$ 4,363,171	$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	10.96 %	8.97 %	16.43 %	35.39 %	53.85 %	40.21 %	23.62 %
Plan fiduciary net position as a percentage of the total pension liability/(asset)	97.22%	97.77 %	95.77 %	90.97 %	85.82 %	89.20 %	93.29 %

* This schedule is to be built prospectively until it contains ten years of data.

State of Washington

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1

Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	1.18 %	1.09 %	1.10 %	1.03 %	0.97 %	0.86 %	0.78 %
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 28,507	$ 27,102	$ 32,177	$ 31,172	$ 33,026	$ 27,186	$ 22,924
Covered payroll of employees participating in TRS Plan 1	$ 1,431	$ 1,557	$ 1,893	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS Plan 2/3	83,176	43,082	61,292	52,534	41,803	33,705	25,673
Covered Payroll	$ 84,606	$ 44,639	$ 63,185	$ 55,009	$ 47,538	$ 37,618	$ 30,284
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	33.69 %	60.71 %	50.93 %	56.67 %	69.47 %	72.27 %	75.70 %
Plan fiduciary net position as a percentage of the total pension liability/(asset)	70.55 %	70.37 %	66.52 %	65.58 %	62.07 %	65.70 %	68.77 %

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3

Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	1.16 %	1.06 %	1.06 %	0.96 %	0.87 %	0.72 %	0.59 %
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 17,767	$ 6,389	$ 4,757	$ 8,873	$ 11,896	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered payroll	$ 83,176	$ 43,082	$ 61,292	$ 52,534	$ 41,803	$ 33,705	$ 25,673
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	21.36 %	14.83 %	7.76 %	16.89 %	28.46 %	18.12 %	7.45 %
Plan fiduciary net position as a percentage of the total pension liability/(asset)	91.72 %	96.36 %	96.88 %	93.14 %	88.72 %	92.48 %	96.81 %

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2
Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	62.26 %	54.61 %	50.48 %	49.14 %	47.97 %	47.93 %	48.26 %
State PSERS Plan 2 employers' proportionate share of the net pension liability / (asset)	$ (8,567)	$ (7,101)	$ 625	$ 9,628	$ 20,386	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered payroll	$ 384,394	$ 321,991	$ 198,511	$ 175,395	$ 155,768	$ 140,977	$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-2.23 %	-2.21 %	0.32 %	5.49 %	13.09 %	6.21 %	-5.37 %
Plan fiduciary net position as a percentage of the total pension liability/(asset)	101.68 %	101.85 %	99.79 %	96.26 %	90.41 %	95.08 %	105.01 %

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1
Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12 %	87.12 %	87.12 %	87.12 %	87.12 %	87.12 %	87.12 %
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$ (1,645,269)	$ (1,722,024)	$ (1,581,665)	$ (1,321,802)	$ (897,585)	$ (1,049,988)	$ (1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	146.88 %	148.78 %	144.42 %	135.96 %	123.74 %	127.36 %	126.91 %

* This schedule is to be built prospectively until it contains ten years of data.

State of Washington

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2

Last Seven Measurement Years *
(expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.88 %	0.90 %	0.87 %	0.85 %	0.88 %	0.83 %	0.84 %
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.00 %	39.57 %	39.30 %	39.35 %	39.46 %	39.80 %	39.52 %
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (17,948)	$ (20,782)	$ (17,707)	$ (11,823)	$ (5,113)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(795,604)	(916,765)	(797,902)	(545,988)	(229,538)	(409,091)	(524,419)
Total	$ (813,552)	$ (937,547)	$ (815,609)	$ (557,811)	$ (234,651)	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered payroll	$ 25,410	$ 23,388	$ 21,892	$ 20,396	$ 19,828	$ 18,744	$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-70.63 %	-88.86 %	-80.88 %	-57.97 %	-25.79 %	-45.77 %	-61.14 %
Plan fiduciary net position as a percentage of the total pension liability/(asset)	115.83 %	119.43 %	118.50 %	113.36 %	106.04 %	111.67 %	116.75 %

* This schedule is to be built prospectively until it contains ten years of data.

State of Washington

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions (CRC)	$ 322,931	$ 304,870	$ 299,745	$ 280,513	$ 251,924	$ 238,158	$ 191,618	$ 188,639
Employer contributions related to covered payroll of employees participating in PERS Plan 1	$ 4,562	$ 5,665	$ 7,092	$ 8,769	$ 9,537	$ 11,385	$ 11,072	$ 12,964
Employer UAAL contributions related to covered payroll of employees participating in PERS Plan 2/3 and PSERS Plan 2	318,369	299,205	292,653	271,744	242,387	226,773	180,546	175,675
Contributions in relation to the actuarially determined contributions	322,931	304,870	299,745	280,513	251,924	238,158	191,618	188,639
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll of employees participating in PERS Plan 1	$ 35,118	$ 43,909	$ 54,779	$ 69,330	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS Plan 2/3	6,151,714	5,902,886	5,469,217	5,237,495	4,928,806	4,648,843	4,363,171	4,215,935
Covered payroll of employees participating in PSERS Plan 2	450,362	384,394	321,991	198,511	175,395	155,768	140,977	130,172
Covered Payroll	$ 6,637,194	$ 6,331,189	$ 5,845,987	$ 5,505,336	$ 5,189,542	$ 4,907,846	$ 4,624,834	$ 4,489,943
Contributions as a percentage of covered payroll	4.87 %	4.82 %	5.13 %	5.10 %	4.85 %	4.85 %	4.14 %	4.20 %

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 485,475	$ 466,005	$ 412,466	$ 389,001	$ 306,591	$ 287,049	$ 219,395	$ 209,455
Contributions in relation to the contractually required contributions	485,475	466,005	412,466	389,001	306,591	287,049	219,395	209,455
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$ 6,151,714	$ 5,902,886	$ 5,469,217	$ 5,237,495	$ 4,928,806	$ 4,648,843	$ 4,363,171	$ 4,215,935
Contributions as a percentage of covered payroll	7.89 %	7.89 %	7.54 %	7.43 %	6.22 %	6.17 %	5.03 %	4.97 %

* This schedule is to be built prospectively until it contains ten years of data.

State of Washington

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1

Fiscal Year Ended June 30*
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 7,182	$ 6,215	$ 5,436	$ 4,582	$ 3,608	$ 2,940	$ 1,920	$ 1,537
Employer contributions related to covered payroll of employees participating in TRS Plan 1	$ 176	$ 225	$ 241	$ 272	$ 326	$ 369	$ 388	$ 451
Employer UAAL contributions related to covered payroll of employees participating in TRS Plan 2/3	7,006	5,990	5,195	4,310	3,282	2,571	1,532	1,086
Contributions in relation to the actuarially determined contributions	7,182	6,215	5,436	4,582	3,608	2,940	1,920	1,537
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll of employees participating in TRS Plan 1	$ 1,330	$ 1,431	$ 1,557	$ 1,893	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS Plan 2/3	95,486	83,176	43,082	61,292	52,534	41,803	33,705	25,673
Covered Payroll	$ 96,816	$ 84,607	$ 44,639	$ 63,185	$ 55,009	$ 47,538	$ 37,618	$ 30,284
Contributions as a percentage of covered payroll	7.42 %	7.35 %	12.18 %	7.25 %	6.56 %	6.18 %	5.10 %	5.08 %

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3

Fiscal Year Ended June 30*
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 7,742	$ 6,730	$ 5,542	$ 4,699	$ 3,542	$ 2,827	$ 1,924	$ 1,454
Contributions in relation to the contractually required contributions	7,742	6,730	5,542	4,699	3,542	2,827	1,924	1,454
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$ 95,486	$ 83,176	$ 43,082	$ 61,292	$ 52,534	$ 41,803	$ 33,705	$ 25,673
Contributions as a percentage of covered payroll	8.11 %	8.09 %	12.86 %	7.67 %	6.74 %	6.76 %	5.71 %	5.66 %

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 32,495	$ 27,498	$ 17,602	$ 13,330	$ 11,465	$ 10,233	$ 8,932	$ 8,100
Contributions in relation to the contractually required contributions	32,495	27,498	17,602	13,330	11,465	10,233	8,932	8,100
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$ 450,362	$ 384,394	$ 321,991	$ 198,511	$ 175,395	$ 155,768	$ 140,977	$ 130,172
Contributions as a percentage of covered payroll	7.22 %	7.15 %	5.47 %	6.72 %	6.54 %	6.57 %	6.34 %	6.22 %

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 1,602	$ 1,721	$ 1,654	$ 1,512	$ 1,346	$ 1,345	$ 1,224	$ 1,184
Contributions in relation to the contractually required contributions	1,602	1,721	1,654	1,512	1,346	1,345	1,224	1,184
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered Payroll	$ 22,917	$ 25,410	$ 23,388	$ 21,892	$ 20,396	$ 19,828	$ 18,744	$ 18,259
Contributions as a percentage of covered payroll	6.99 %	6.77 %	7.07 %	6.91 %	6.60 %	6.78 %	6.53 %	6.48 %

* This schedule is to be built prospectively until it contains ten years of data.

State of Washington

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions for PERS, TRS, PSERS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, plus any supplemental contribution rates from the preceding legislative session, determined the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

Methods and assumptions used in calculations of the ADC for the Judicial Retirement System and the Judges Retirement Fund. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCW 2.10.90 and 2.12.60, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

Additional consideration on ADC for all plans. OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies.

Contractually Required Contributions for PERS, TRS, PSERS, and LEOFF. For cost-sharing plans, OSA calculates the Contractually Required Contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflects the adopted contribution rates for the time period shown, which may differ from the contribution rates produced for the ADC.

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Contributions

Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)
2021	$ 909	$ 8,470	$ (7,561)
2020	900	8,967	(8,067)
2019	926	8,436	(7,510)
2018	3,523	8,050	(4,527)
2017	4,528	7,494	(2,966)
2016	6,846	8,153	(1,307)
2015	6,653	6,816	(163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)

Notes: Neither covered payroll nor contributions as a percentage of covered payroll are applicable. This is a volunteer organization.

Beginning in 2017, the methodology for determining the Actuarially Determined Contributions was revised to reflect the timing of the contributions based upon the Board for Volunteer Fire Fighters adoption cycle and the actuarial funding methods selected.

Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns

Last Eight Fiscal Years*

Year	Annual money-weighted rate of return, net of investment expense
2021	3.11 %
2020	4.40 %
2019	8.23 %
2018	8.84 %
2017	13.26 %
2016	2.19 %
2015	4.05 %
2014	18.50 %

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

State of Washington

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Change in Net Pension Liability

Last Nine Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability									
Service cost	$ 819	$ 820	$ 828	$ 853	$ 869	$ 893	$ 919	$ 1,240	N/A
Interest	15,728	13,120	13,119	13,151	12,946	12,887	12,656	12,480	N/A
Changes of benefit terms	—	34,626	—	—	—	—	—	—	N/A
Differences between expected and actual experience	(4,495)	1,134	(1,857)	(2,707)	(1,998)	(176)	(2,948)	—	N/A
Changes in assumptions	16,726	—	—	16	463	101	1,931	—	N/A
Benefit payments, including refunds of member contributions	(12,673)	(12,217)	(11,913)	(11,573)	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	16,105	37,483	177	(260)	1,206	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	230,100	192,617	192,440	192,700	191,494	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	$ 246,205	$ 230,100	$ 192,617	$ 192,440	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position									
Contributions - municipalities	$ 803	$ 771	$ 797	$ 823	$ 848	$ 918	$ 913	$ 953	N/A
Contributions - member	58	40	54	65	69	67	76	95	N/A
Contributions - state as nonemployer contributing entity	7,667	8,196	7,639	7,227	6,646	7,235	5,903	6,383	N/A
Net investment income	7,778	11,059	20,101	19,860	26,114	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(12,673)	(12,217)	(11,913)	(11,573)	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(762)	(3,120)	(1,352)	(918)	(1,466)	(1,205)	(1,020)	(1,469)	N/A
Other	—	—	—	—	—	—	—	(22)	N/A
Net Change in Plan Fiduciary Net Position	2,871	4,729	15,326	15,484	21,137	808	3,660	27,061	N/A
Plan Fiduciary Net Position--Beginning	265,339	260,610	245,284	229,800	208,663	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position--Ending	$ 268,210	$ 265,339	$ 260,610	$ 245,284	$ 229,800	$ 208,663	$ 207,855	$ 204,195	$ 177,134
Plan's Net Pension Liability/(Asset)--Ending	$ (22,005)	$ (35,239)	$ (67,993)	$ (52,844)	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Net Pension Liability

Last Nine Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability/(Asset) - Ending	$ 246,205	$ 230,100	$ 192,617	$ 192,440	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	268,210	265,339	260,610	245,284	229,800	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (22,005)	$ (35,239)	$ (67,993)	$ (52,844)	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	108.94 %	115.31 %	135.30 %	127.46 %	119.25 %	108.97 %	110.22 %	109.47 %	96.49 %
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not applicable. This is a volunteer organization.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Notes to Required Supplementary Information

The Office of the State Actuary calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2019, valuation date, completed in the fall of 2020, determines the ADC for the period ending June 30, 2021.

State of Washington

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Contributions

Fiscal Year 2021*
(expressed in thousands)

Institution Name	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
University of Washington	$ 7,105	$ 7,105	$ —	$ 1,372,814	0.52 %
Washington State University	919	919	—	161,432	0.57 %
Eastern Washington University	165	165	—	30,057	0.55 %
Central Washington University	—	173	(173)	38,710	0.45 %
The Evergreen State College	40	40	—	49,390	0.08 %
Western Washington University	196	196	—	17,327	1.13 %
State Board for Community and Technical Colleges	656	656	—	357,331	0.18 %

Notes:

Statute requires Central Washington University to contribute at a rate similar to the other institutions even though the Actuarially Determined Contributions equal zero

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns

Fiscal Year 2021*

Institution Name	Annual money-weighted rate of return, net of investment expense
University of Washington	34.93 %
Washington State University	34.92 %
Eastern Washington University	34.88 %
Central Washington University	34.91 %
The Evergreen State College	34.86 %
Western Washington University	34.90 %
State Board for Community and Technical Colleges	34.87 %

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
University of Washington

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 22,877	$ 16,699	$ 11,823	$ 14,788	$ 19,891
Interest	17,677	21,232	16,277	16,128	15,097
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(372,651)	31,425	102,713	(33,953)	(74,918)
Changes in assumptions	(223,327)	126,749	58,228	(17,105)	(28,553)
Benefit payments	(9,733)	(8,316)	(7,482)	(6,130)	(5,136)
Net Change in Total Pension Liability	(565,158)	187,789	181,559	(26,272)	(73,619)
Total Pension Liability - Beginning	781,829	594,040	412,481	438,753	512,372
Total Pension Liability - Ending	$ 216,672	$ 781,829	$ 594,040	$ 412,481	$ 438,753
Plan Fiduciary Net Position **					
Contributions--Employer	$ 7,105	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	22,275	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	29,380	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	60,961	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 90,341	N/A	N/A	N/A	N/A
Plan's Net Position Liability/(Asset) - Ending	$ 126,331	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	41.69 %	N/A	N/A	N/A	N/A
Covered payroll	$ 1,703,155	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	7.42 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

**Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State University

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 3,114	$ 2,282	$ 2,112	$ 2,763	$ 3,803
Interest	2,666	3,282	3,241	3,261	3,140
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(47,565)	5,496	(1,022)	(7,171)	(16,389)
Changes in assumptions	(33,228)	17,655	7,997	(3,255)	(6,574)
Benefit payments	(2,827)	(2,493)	(2,439)	(2,181)	(1,890)
Net Change in Total Pension Liability	(77,840)	26,222	9,889	(6,583)	(17,910)
Total Pension Liability - Beginning	118,942	92,720	82,831	89,414	107,324
Total Pension Liability - Ending	$ 41,102	$ 118,942	$ 92,720	$ 82,831	$ 89,414
Plan Fiduciary Net Position**					
Contributions--Employer	$ 919	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	4,422	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	5,341	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	12,305	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 17,646	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset)--Ending	$ 23,456	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	42.93%	N/A	N/A	N/A	N/A
Covered payroll	$ 317,177	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	7.40 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

**Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Eastern Washington University

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 668	$ 501	$ 463	$ 477	$ 658
Interest	523	634	614	429	420
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(7,646)	1,019	421	3,867	(2,852)
Changes in assumptions	(7,364)	3,488	1,014	(621)	(647)
Benefit payments	(280)	(250)	(316)	(202)	(140)
Net Change in Total Pension Liability	(14,099)	5,392	2,196	3,950	(2,561)
Total Pension Liability - Beginning	23,139	17,747	15,551	11,601	14,162
Total Pension Liability - Ending	$ 9,040	$ 23,139	$ 17,747	$ 15,551	$ 11,601
Plan Fiduciary Net Position**					
Contributions--Employer	$ 165	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	892	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	1,057	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	2,492	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 3,549	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset)--Ending	$ 5,490	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	39.26 %	N/A	N/A	N/A	N/A
Covered payroll	$ 60,251	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	9.11 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

** Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Central Washington University

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 74	$ 52	$ 61	$ 91	$ 150
Interest	187	252	293	299	293
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(1,386)	322	(710)	(466)	(1,270)
Changes in assumptions	(2,394)	1,057	428	(272)	(616)
Benefit payments	(467)	(439)	(411)	(412)	(411)
Net Change in Total Pension Liability	(3,987)	1,244	(339)	(760)	(1,854)
Total Pension Liability - Beginning	8,622	7,378	7,717	8,477	10,331
Total Pension Liability - Ending	$ 4,635	$ 8,622	$ 7,378	$ 7,717	$ 8,477
Plan Fiduciary Net Position**					
Contributions--Employer	$ 173	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	894	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	1,067	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	2,493	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 3,560	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset)--Ending	$ 1,075	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	76.81 %	N/A	N/A	N/A	N/A
Covered payroll	$ 77,419	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	1.39 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

**Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
The Evergreen State College

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 250	$ 188	$ 154	$ 210	$ 296
Interest	201	243	235	237	230
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(3,198)	490	(108)	(565)	(1,327)
Changes in assumptions	(2,495)	1,293	694	(229)	(387)
Benefit payments	(119)	(138)	(137)	(183)	(158)
Net Change in Total Pension Liability	(5,361)	2,076	838	(530)	(1,346)
Total Pension Liability - Beginning	8,894	6,818	5,980	6,510	7,856
Total Pension Liability - Ending	$ 3,533	$ 8,894	$ 6,818	$ 5,980	$ 6,510
Plan Fiduciary Net Position**					
Contributions--Employer	$ 40	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	348	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	388	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	984	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 1,372	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset)--Ending	$ 2,162	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	38.83 %	N/A	N/A	N/A	N/A
Covered payroll	$ 36,786	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	5.88 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

** Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Western Washington University

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 922	$ 699	$ 551	$ 737	$ 1,057
Interest	798	962	825	837	842
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(15,050)	1,961	2,298	(2,233)	(5,278)
Changes in assumptions	(8,260)	5,269	2,821	(819)	(2,126)
Benefit payments	(524)	(486)	(420)	(380)	(298)
Net Change in Total Pension Liability	(22,115)	8,405	6,075	(1,858)	(5,803)
Total Pension Liability - Beginning	35,442	27,037	20,962	22,820	28,623
Total Pension Liability - Ending	$ 13,327	$ 35,442	$ 27,037	$ 20,962	$ 22,820
Plan Fiduciary Net Position**					
Contributions--Employer	$ 196	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	1,326	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	1,522	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	3,733	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 5,255	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset)--Ending	$ 8,072	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	39.43 %	N/A	N/A	N/A	N/A
Covered payroll	$ 317,177	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	2.54 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

** Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Net Pension Liability and Related Ratios
State Board for Community and Technical Colleges

Fiscal Years Ended and Measurement Date June 30*

(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 4,672	$ 3,516	$ 2,851	$ 3,827	$ 5,417
Interest	3,323	3,956	3,449	3,517	3,514
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(29,981)	8,335	6,503	(10,402)	(25,336)
Changes in assumptions	(54,110)	22,269	12,227	(3,519)	(5,980)
Benefit payments	(1,992)	(1,785)	(1,818)	(1,300)	(902)
Net Change in Total Pension Liability	(78,088)	36,291	23,212	(7,877)	(23,287)
Total Pension Liability - Beginning	146,676	110,385	87,173	95,050	118,337
Total Pension Liability - Ending	$ 68,588	$ 146,676	$ 110,385	$ 87,173	$ 95,050
Plan Fiduciary Net Position**					
Contributions--Employer	$ 656	N/A	N/A	N/A	N/A
Contributions--Member	—	N/A	N/A	N/A	N/A
Net Investment Income	8,211	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	—	N/A	N/A	N/A	N/A
Administrative Expense	—	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	8,866	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Beginning	23,393	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position--Ending	$ 32,259	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset)--Ending	$ 36,329	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	47.03 %	N/A	N/A	N/A	N/A
Covered payroll	$ 639,861	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	5.68 %	N/A	N/A	N/A	N/A

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

** Due to changes in legislation, assets from higher education institution plans that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, plans previously reported under GASB Statement No. 73, are now reported under GASB Statement Nos. 67/68. The change is effective for fiscal year 2021.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Net Pension Liability
University of Washington
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 216,672	$ 781,829	$ 594,040	$ 412,481	$ 438,753
Plan Fiduciary Net Position - Ending	90,341	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 126,331	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	41.69 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 1,703,155	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	7.42 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Net Pension Liability
Washington State University
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 41,102	$ 118,942	$ 92,720	$ 82,831	$ 89,414
Plan Fiduciary Net Position - Ending	17,646	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 23,456	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	42.93 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 317,177	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	7.40 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Net Pension Liability
Eastern Washington University
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 9,040	$ 23,139	$ 17,747	$ 15,551	$ 11,601
Plan Fiduciary Net Position - Ending	3,549	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 5,490	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	39.26 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 60,251	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	9.11 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Net Pension Liability
Central Washington University
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 4,635	$ 8,622	$ 7,378	$ 7,717	$ 8,477
Plan Fiduciary Net Position - Ending	3,560	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 1,075	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	76.81 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 77,419	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	1.39 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Net Pension Liability
The Evergreen State College
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 3,533	$ 8,894	$ 6,818	$ 5,980	$ 6,510
Plan Fiduciary Net Position - Ending	1,372	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 2,162	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	38.83 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 36,786	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	5.88 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Net Pension Liability
Western Washington State University
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 13,327	$ 35,442	$ 27,037	$ 20,962	$ 22,820
Plan Fiduciary Net Position - Ending	5,255	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 8,072	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	39.43 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 317,177	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	2.54 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Net Pension Liability
State Board for Community and Technical Colleges
Last Five Fiscal Years*
(expressed in thousands)

	2021	2020	2019	2018	2017
Total Pension Liability/(Asset) - Ending	$ 68,588	$ 146,676	$ 110,385	$ 87,173	$ 95,050
Plan Fiduciary Net Position - Ending	32,259	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) - Ending	$ 36,329	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	47.03 %	N/A	N/A	N/A	N/A
Covered Payroll	$ 639,861	N/A	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	5.68 %	N/A	N/A	N/A	N/A

N/A indicates data not available. Fiscal year 2021 is the first year institutions of higher education are reporting under GASB Statement Nos. 67/68.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Higher Education Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The Higher Education Supplemental Retirement Plans (SRPs) are financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals.

Effective fiscal year 2021, House Bill 1661 created dedicated funds to pay SRP benefits that mimic the trust arrangement for the rest of the state retirement systems. As a result, the plans, previously reported under GASB Statement No. 73, are now being being reported under GASB Statement No. 67/68.

Under GASB 67/68, the discount rate is based on the long-term expected rate of return on the pension plan investments. This led to an increase in the discount rate used to measure the total pension liability (TPL) from 2.21 percent as of June 30, 2020, to 7.40 percent as of June 30, 2021, and a significant decrease in the TPL. In addition to the change in discount rate, the TPL is now compared against the plan's fiduciary net position to determine the net pension liability.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Date of June 30*

(expressed in thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 251,517	$ 235,316	$ 317,866	$ 394,955
Interest	210,229	203,889	218,339	184,999
Changes in benefit terms	—	—	—	—
Difference between expected and actual experience	(32,209)	(273)	199,258	—
Changes in assumptions	136,371	379,637	(1,390,198)	(902,431)
Benefit payments	(100,092)	(93,253)	(92,200)	(94,279)
Changes in proportion	3	(3)	(15)	—
Other**	(214,094)	—	—	—
Net Changes in Total OPEB Liability	251,725	725,313	(746,950)	(416,755)
Total OPEB Liability - Beginning, as restated	5,805,195	5,079,882	5,826,832	6,242,577
Total OPEB Liability - Ending	$ 6,056,920	$ 5,805,195	$ 5,079,882	$ 5,825,822
Covered-employee payroll	$ 9,285,200	$ 8,722,746	$ 8,401,635	$ 7,878,188
Total OPEB liability as a percentage of covered-employee payroll	65.23 %	66.55 %	60.46 %	73.95 %

*This schedule is to be built prospectively until it contains ten years of data.

**Impact of removing trends that include excise tax. Legislation under H.R. 1865 repealed the excise tax after the previous measurement date.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Other Postemployment Benefits Information

Notes to Required Supplementary Information

The Public Employees' Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

Total OPEB liability beginning balance for the measurement date of June 30, 2018, was restated to reflect the changes in proportion between the state and the Washington Economic Development Finance Authority which operates on a cash basis and does not report an OPEB liability. The restatement also includes OPEB amounts for the Health Care Benefits Exchange which was omitted from the table in the prior year.

Infrastructure Assets Reported Using the Modified Approach

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level at which assets are to be preserved or maintained, as established by administrative or executive policy, or by legislative action.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state of Washington's network of highway pavements, bridges, and rest areas. In fiscal year 2021, the state was responsible for maintaining and preserving 20,876 pavement lane miles, 3,956 bridges and tunnels, and 47 highway safety rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two-year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 - 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 - 79	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 - 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 - 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 - 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavement with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 - 100	< 96	< 0.24
Good	60 - 79	96 - 170	0.24 - 0.41
Fair	40 - 59	171 - 220	0.42 - 0.58
Poor	20 - 39	221 - 320	0.59 - 0.74
Very Poor	0 - 19	> 320	> 0.74

The WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better, based on an average condition level of the last three assessments.

The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition Two-Year Cycle Ending Calendar Year			
2019	2017	2015	Average of Last Three Assessments
94.1%	93.2%	93.2%	93.5%

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*	2021	2020	2019	2018	2017
Planned	$ 211,788	$ 194,105	$ 227,625	$ 263,555	$ 304,040
Actual	124,491	169,303	269,236	271,474	264,315
Variance	$ 87,297	$ 24,802	$ (41,611)	$ (7,919)	$ 39,725
	41.2%	12.8%	-18.3%	-3.0%	13.1%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activities in response to economic forecasts and other factors. For fiscal year 2021, the 41.2 percent variance is due to a combination of decreased expenditures and an additional appropriation for the Connecting Washington Program that funded other various projects to enhance the statewide transportation system and maintain critical infrastructure.

For more information about pavements, refer to the WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT inspects and performs condition assessments on approximately 3,336 state-owned vehicular bridges in excess of 20 feet in length. While most bridges undergo condition assessments every two years, the National Bridge Inspection Standards (NBIS) make provisions for some bridges to be inspected more or less frequently. Factors that are considered when determining the frequency of inspection include age, type of structure, span length, and condition. There are currently about 360 bridges that are inspected on a four-year cycle, and many bridges that are inspected more frequently than every two years. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure established in FHWA's *Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges*, which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code	Description
Good	7 or 8	A range from no problems noted to some minor problems.
Fair	5 or 6	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

The WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better, based on an average condition level of the last three assessments.

The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition Two-Year Cycle Ending Fiscal Year			
2021	2019	2017	Average of Last Three Assessments
93.8%	92.9%	91.8%	92.8%

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*	2021	2020	2019	2018	2017
Planned	$ 114,868	$ 148,212	$ 182,409	$ 106,595	$ 45,891
Actual	109,137	120,554	146,816	87,068	45,088
Variance	$ 5,731	$ 27,658	$ 35,593	$ 19,527	$ 803
	5.0%	18.7%	19.5%	18.3%	1.7%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activities in response to economic forecasts and other factors.

For more information about bridges, refer to the WSDOT's website at: http://www.wsdot.wa.gov/Bridge/Structures/.

SAFETY REST AREA CONDITION

Beginning in fiscal year 2020, the WSDOT performs condition assessments on safety rest areas in the odd year of every fiscal biennium. Sites and buildings are divided into functional components that are assessed with a three-tiered condition scale: good, fair, and poor condition. The assessment criteria are based on guidelines that are typical of industry standards and have been modified by the WSDOT Capital Facilities Program to align with transportation-related facilities.

While the scale for condition measurement remains unchanged, both the condition rating tiers and the condition target for safety rest areas were modified effective for fiscal year 2020. The rating for a safety rest area to be considered in "fair" condition was increased from 50 percent to 60 percent under the new plan, representing a higher assessment standard than under the historical rating system.

The WSDOT's policy is to maintain 85 percent of safety rest areas at a level of fair or better condition, based on the average condition level of the last three assessments. However, the implementation of the new condition assessment criteria in fiscal year 2020 resulted in the safety rest area condition rating falling below target in the last three assessments. The WSDOT will evaluate the feasibility of continuing to manage safety rest areas under the same asset management plan as all other agency-owned facilitates using the modified approach for reporting infrastructure. This determination will be addressed in the Required Supplemental Information of the fiscal year 2022 Annual Comprehensive Financial Report.

The following table shows condition ratings for safety rest areas:

Safety Rest Areas
Percentage in Fair or Better Condition
Two-Year Cycle Ending Fiscal Year *

2021	2019	2017	Average of Last Three Assessments
45.7%	80.4%	80.4%	68.8%

* The percentages for the 2017 and 2019 assessments reflect the new rating methodology effective July 2019.

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas
Preservation and Maintenance - Planned to Actual - Fiscal Year
(expressed in thousands)

	2021	2020	2019	2018	2017
Planned	$ 8,140	$ 9,420	$ 11,084	$ 9,609	$ 9,964
Actual	7,256	8,601	9,004	7,986	8,011
Variance	$ 884	$ 819	$ 2,080	$ 1,623	$ 1,953
	10.9%	8.7%	18.8%	16.9%	19.6%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activities in response to economic forecasts and other factors.

For more information about safety rest areas, refer to the WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

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APPENDIX E

DTC AND ITS BOOK-ENTRY SYSTEM

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DTC AND ITS BOOK-ENTRY SYSTEM

The following information has been obtained from DTC's website. The State takes no responsibility for the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity within a series of the Bonds in the principal amount of such maturity and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com (which website is not incorporated by reference).

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except if use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. When notices are given, they shall be sent by the Bond Registrar to DTC only**.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) are the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

STATE OF WASHINGTON • Various Purpose General Obligation Refunding Bonds, Series R-2022C and MVFT General Obligation Refunding Bonds, Series R-2022D

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