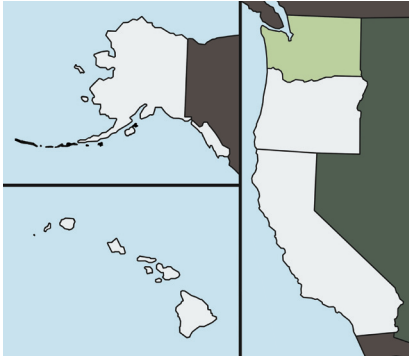


WASHINGTON Budget Report Card



WASHINGTON EARNED A averages in budget forecasting and reserve funds for fiscal 2016 through 2018. At the same time, it received the second-lowest mark possible for its handling of legacy costs, including public worker pensions and other post-employment benefits (OPEB), such as health care.

Its top forecasting grade reflected Washington’s disclosure of multiyear revenue and expenditure estimates. The state Economic and Revenue Forecast Council, which includes members of the legislative and executive branches, as well as the independently elected state treasurer, releases a quarterly budget forecast that

currently includes expenditure projections through 2021.

Likewise, Washington’s mark in reserve funds reflected its general fund balance of \$3.3 billion at the beginning of fiscal 2018 in addition to a rainy day fund of \$1.3 billion, according to the National Association of State Budget Officers. The state has policies for withdrawals and deposits, and it ties reserves to revenue volatility.

Although Washington’s public worker pension funded ratio stood at 89.6 percent as of 2017, 20 percentage points above the total for states, it averaged only a D in legacy costs because it failed to make full actuarially determined contributions for either pensions or OPEB.

Washington earned B averages in the budget maneuvers and transparency categories. While the state avoided many one-time budgetary actions, including deferring recurring expenditures or using debt to cover operating costs, it shifted special fund revenues to the general fund. This practice may be unsustainable over time and may undermine past decisions about revenue allocation. Washington’s only weakness in transparency was its failure to disclose deferred infrastructure replacement costs—a shortcoming it shares with forty-five other states.


PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	B	D-	A	B
Oregon	C	A	A	B	B
Washington	A	B	D	A	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING					
		2016	2017	2018	
	CATEGORY GRADE	A	A	A	
	Consensus Revenue Forecasts	✓	✓	✓	
	Multiyear Expenditure Forecasts	✓	✓	✓	
	Multiyear Revenue Forecasts	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	
3-YEAR AVERAGE A			3-YEAR TREND —		

BUDGET MANEUVERS					
		2016	2017	2018	
	CATEGORY GRADE	C	B	B	
	Deferring Recurring Expenditures	✗	✓	✓	
	Revenue and Cost Shifting	✗	✗	✗	
	Funding Recurring Expenditures with Debt	✓	✓	✓	
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	
3-YEAR AVERAGE B			3-YEAR TREND ↗		

LEGACY COSTS					
		2016	2017	2018	
	CATEGORY GRADE	D	D	D	
	Public Employee OPEB Funding	✗	✗	✗	
	Public Employee Pension Funding	✗	✗	✗	
	Public Employee Pension Funded Ratio*	84%	90%	90%	
3-YEAR AVERAGE D			3-YEAR TREND ↗		

RESERVE FUNDS					
		2016	2017	2018	
	CATEGORY GRADE	A	A	A	
	Positive Reserve or General Fund Balance	✓	✓	✓	
	Reserve Funds Disbursement Policy	✓	✓	✓	
	Reserve Funds Replenishment Policy	✓	✓	✓	
	Reserves Tied to Revenue Volatility	✓	✓	✓	
3-YEAR AVERAGE A			3-YEAR TREND —		

TRANSPARENCY					
		2016	2017	2018	
	CATEGORY GRADE	B	B	B	
	Consolidated Budget Website	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	
	Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	
	Discloses Tax Expenditures	✓	✓	✓	
3-YEAR AVERAGE B			3-YEAR TREND —		

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.