



Treasurer Calls for Using Increased State Revenue to Reduce Unfunded Pension Liabilities

Unprecedented Expected Increase in State Revenues

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For Immediate Release

(Olympia, WA) Washington State Treasurer Duane Davidson today called on the Legislature to use some of the unprecedented increase in State Revenue to pay down State obligations rather than spending all of it on expanding existing programs.

Treasurer Davidson stated, "It is good financial management to use unexpected revenue to pay down your most expensive debt. Many families do this when they get a windfall – they might pay off their credit card. Washington State's most expensive debt is our unfunded pension liability. We are currently short about \$13.8 billion in our pension funds (as of August 2017 SIB report). Today we've received news that the State now expects an additional roughly \$1.3 billion to come into State coffers from now through 2021. **While some of this windfall will go into our rainy day fund and portions are needed to address education and mental health court decisions, the remainder should be used to pay down some of this pension obligation.**"

Treasurer Davidson is a member of the Washington State Economic and Revenue Forecast Council. The Council met today and received the State's Revenue Update. The Update concluded that due to the Federal Tax cuts and several other factors, State tax revenue will increase by \$647 million in this biennium (2017-2019) and \$659.7 million for the next biennium (2019-2021). This is an increase above and beyond the robust growth that had already been anticipated.

There is considerable legislative pressure to use these new funds to expand existing programs. The Treasurer urges that some fiscal restraint be shown and some of this new funding be used to pay down debt instead.

"When I was Benton County Treasurer we managed to cut the County's debt in half. A big part of how we did that was by new revenues to pay down bonds whenever possible. It'd be great to try and change the culture in State government from always using new funds to expand programs to instead thinking about paying down expensive debt," Davidson remarked.

Treasurer Davidson sits on the State Investment Board (SIB) that oversees the State Pension investments. The State has funded about 84% of its overall pension liabilities. Over the past 20 years SIB has averaged approximately 7.67% return on its investments. By not having full-funding in the investment portfolio the state is foregoing potential investment returns. Thus not having fully-funded



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pensions works out to be the most expensive significant obligation facing the State. Washington State is a high-debt state. At \$2,717 Washington State has the 6th highest debt per capita in the US (\$21 billion total).

Davidson also urged Legislators not to divert funds from the rainy day fund. "There have been 10 recessions since World War II. Another one will inevitably come. Times are good today and this is the time to maximize our rainy day funds. We'll certainly want them when the economy isn't as rosy as it is today."

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