

State Treasurer warns against raiding budget reserves

By JASON MERCIER | BLOG | Dec 14, 2017

As lawmakers prepare for the 2018 Session there may be temptation to raid the state's budget reserves to address the state Supreme Court's recent McCleary order. Washington State Treasurer Duane Davidson warns this would be a mistake. The Treasurer's office told me today:

"We don't support using reserves to pay for ongoing operating expenses. With a robustly growing economy we should be adding to our reserves now, not pulling from them."

This statement reinforces a comment made by the Treasurer's Office back in November:

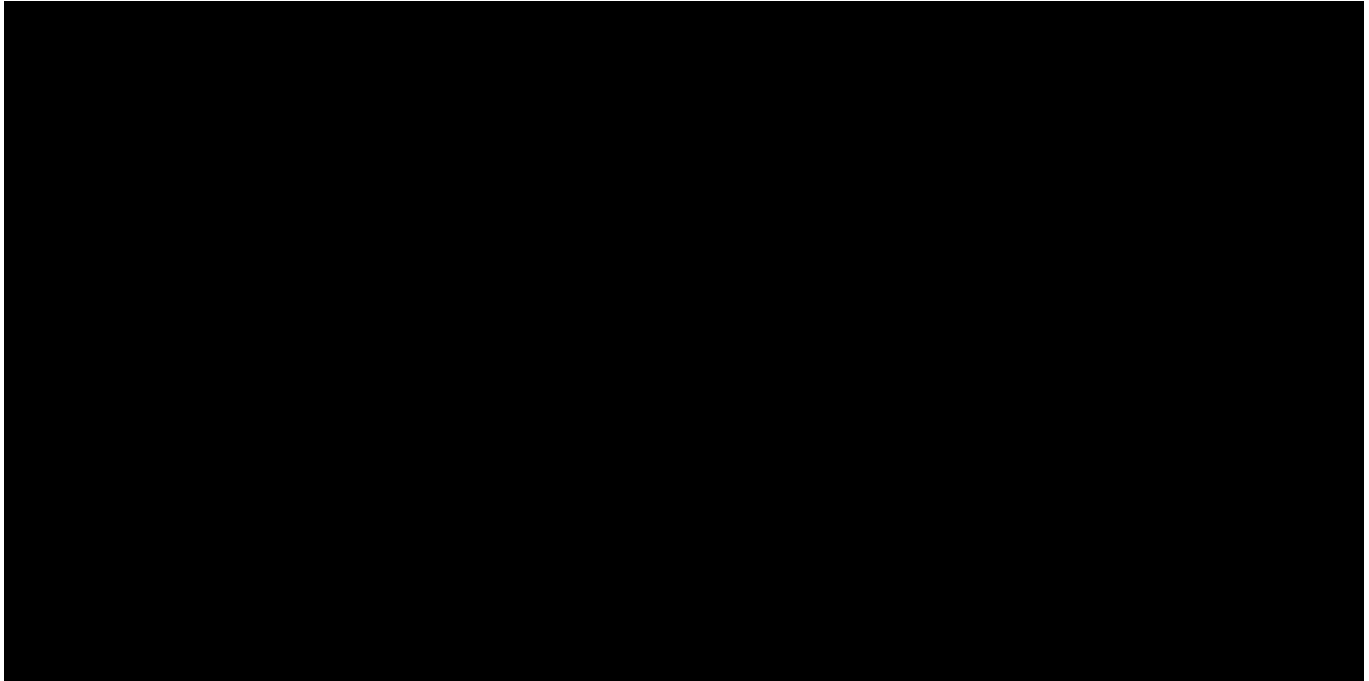
"With a strong economy and continued economic expansion the Legislature should look for alternative ways to fund McCleary - other than using our reserves to pay for ongoing operating expenses. We agree with the rating agencies on the need for continued discipline on how/when to use state reserves. The economic expansion we have been experiencing in recent years will not last forever – and we'll need those reserves when the economy dips."

The reference to the credit rating agencies is in response to these comments made by Standard and Poor's in November when evaluating Washington's credit worthiness:

". . . legal requirements that Washington enact budgets that not only balance for the current biennium but also project balance through the following biennium help facilitate a structural approach. That, coupled with Washington's ongoing discipline vis-a-vis funding the state's budget reserves, should help insulate the state rating from unexpected economic or revenue weakening."

Having strong budget reserves to help maintain our credit rating is important to keep the state's borrowing costs low. Due in part to the state's strong credit rating the State Treasurer was able to recently refinance bonds saving Washington taxpayers \$200 million in debt service costs.

The State Treasurer was also on TVW today saying once again that draining the state's budget reserves is not the right direction:



The Governor today, however, proposed a mix of tax increases and using money from the budget reserves to pay for his 2018 supplemental budget. We'll soon know if the new leadership in the Legislature believes this is the right direction or instead agrees with the State Treasurer on the need to protect the state's budget reserves for a real rainy day.