



April 22, 2022

Dear Budget Committee Chairs:

Thank you for your service to the people of Washington and your dedicated work last session.

I wrote you in March that the state's credit would be reassessed in April, following the legislative session. In my letter, I stressed the importance of returning the state's reserves (General Fund Ending Balance, BSA, and WARPTA) to pre-pandemic levels, which was 10% of revenues. Your final budgets met that recommendation, and this month the Economic Revenue Forecast Council included the WARPTA balance in the four-year budget outlook, which provides greater public transparency of these total reserves. Thank you for your fiscal leadership on this reserve issue and for ensuring the final budgets met our other two recommendations (unfunded pension payment and limited debt service costs) as well.

Due to your responsible final budgets, next week we will announce that Washington successfully maintained its strong credit ratings (Moody's Aaa, S&P AA+, Fitch AA+). I wanted you to know that your strong fiscal practices and meeting our budgeting recommendations were identified in the April reports as an important consideration in affirming Washington's strong ratings.

For example, in addition to the strong economic foundation of the state, Moody's stated its rationale for Washington's top credit rating was based on our "strong fiscal governance practices" and that the "State of Washington's Aaa Issuer Rating and general obligation bond rating reflected its sizeable financial reserves . . ."

Next, S&P stated in its credit review that "Washington's credit profile is characterized by strong fiscal management practices, including strong forecasting, a history of making budget adjustments based on material changes to forecasts, and demonstrated commitment to rebuilding reserves following withdrawals in economic downturns."

Finally, in its report, Fitch noted that "[t]he state's budgetary reserves have shifted considerably through the pandemic and are now on a path towards restoring pre-pandemic levels."

As we face elevated inflation, greater economic volatility, legal challenges to anticipated revenue, and higher borrowing costs, your responsible governing and strong fiscal governance practices last session will save millions of future dollars and allow us to better navigate these challenges.

Thank you again for your leadership and your service to the people of Washington.

Sincerely,

A handwritten signature in blue ink that reads "Mike Pellicciotti". The signature is written in a cursive style with a large, stylized "M" and "P".

Mike Pellicciotti

cc: House and Senate Majority Leaders