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IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
FOR KING COUNTY

EL CENTRO DE LA RAZA, a Washington non-profit corporation; LEAGUE OF WOMEN VOTERS OF WASHINGTON, a Washington non-profit corporation; WASHINGTON ASSOCIATION OF SCHOOL ADMINISTRATORS, a Washington non-profit corporation; WASHINGTON EDUCATION ASSOCIATION, a Washington non-profit corporation; INTERNATIONAL UNION OF OPERATING ENGINEERS 609; AEROSPACE MACHINISTS UNION DL 751; WASHINGTON STATE LABOR COUNCIL, AFL-CIO; UNITED FOOD AND COMMERCIAL WORKERS UNION; WASHINGTON FEDERATION OF STATE EMPLOYEES; AMERICAN FEDERATION OF TEACHERS WASHINGTON; TEAMSTERS JOINT COUNCIL No. 28; WAYNE AU, PH.D., on his own behalf; PAT BRAMAN, on her own behalf; DONNA BOYER, on her own behalf and on behalf of her minor children; and SARAH LUCAS, on her own behalf and on behalf of her minor children,

Plaintiffs,

v.

STATE OF WASHINGTON,

Defendant.

Case No. 16-2-18527-4 SEA

DECLARATION OF WILLIAM W. HOLDER IN SUPPORT OF INTERVENOR-DEFENDANTS' CROSS-MOTION FOR SUMMARY JUDGMENT AND OPPOSITION TO PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT

1 ROLAND D. BRADLEY, on his own behalf and
2 on behalf of his minor child; GUSTAVO
3 ALEJANDRO CUEVA on his own behalf and on
4 behalf of his minor child; GENEVIEVE
5 FIORINO, on her own behalf and on behalf of her
6 minor children; NATALIE HESTER;
7 DELANAS D. JOHNSON, on his own behalf and
8 on behalf of his minor child; GAHYUN
9 “SUNNY” LEE, on her own behalf and on behalf
10 of her minor children; JENNIFER DIANE LEE,
11 on her own behalf and on behalf of her minor
12 child; HEIDI A.R. MITCHELL and SCOTT D.
13 MITCHELL, on their own behalf and on behalf of
14 their minor child; EDUARDO PACHECO, on his
15 own behalf and on behalf of his minor child;
16 DARCELINA JEAN SOLORIA, on her own
17 behalf and on behalf of her minor child,
18 CRYSTAL SWAFFER, on her own behalf and on
19 behalf of her minor children, SHIRLINE
20 SHIRRELL WILSON, on her own behalf and on
21 behalf of her minor child; INNOVATION
22 SCHOOLS d/b/a WILLOW PUBLIC SCHOOL;
23 SPOKANE INTERNATIONAL ACADEMY;
24 EXCEL PUBLIC CHARTER SCHOOLS; SOAR
25 ACADEMY; PRIDE PREP PUBLIC CHARTER
26 SCHOOL; RAINIER PREP.; GREEN DOT
27 PUBLIC SCHOOLS WASHINGTON;
28 WASHINGTON STATE CHARTER SCHOOLS
ASSOCIATION;

Intervenor-Defendants.

I, William W. Holder, hereby declare as follows:

1. Except as otherwise stated herein, I have personal knowledge of the facts stated in this declaration and can testify on them competently if called upon to do so.

I. Qualifications

2. I currently serve as Dean of the Leventhal School of Accounting and hold the Alan Casden Dean’s Chair of Accountancy at the University of Southern California. During the course of my career, I have taught courses in financial, governmental, and managerial accounting, auditing, and taxation in undergraduate and graduate programs. I have twice been named as one of the “Top 100 People” in the accounting profession by Accounting Today. I also received the

1 Gold Medal for Distinguished Service, the highest honor awarded by the American Institute of
2 Certified Public Accountants (“AICPA”).

3 3. I have authored or co-authored a number of books, research monographs, and
4 journal articles on the topics of governmental accounting, reporting, and auditing. My published
5 works include the university textbook *Intermediate Accounting*, published by Harcourt, Brace,
6 Jovanovich; *Reducing the Incidence of Fraudulent Financial Reporting: The Role of the*
7 *Securities and Exchange Commission*, published by the SEC and Financial Reporting Institute;
8 the practice manual *Audits of Local Governments*, published by Thomson Reuters; *Materiality*
9 *Considerations*, published by the AICPA; *A Study of Selected Concepts of Governmental*
10 *Financial Accounting and Reporting*, published by the National Council on Governmental
11 Accounting (“NCGA”) and a number of others that address financial accounting, reporting, and
12 auditing issues.

13 4. Over the course of my career, I have served in a number of capacities on
14 governance and standards-setting bodies of the accounting profession, including the Board of
15 Directors (Chair of the Audit Committee) of the AICPA, the Accounting Standards Executive
16 Committee (“AcSEC”) of the AICPA, and for ten years as a member of the Governmental
17 Accounting Standards Board (“GASB”). AcSEC and the GASB are professional bodies
18 responsible for developing authoritative financial accounting and reporting standards. In
19 addition, I have served on the AICPA’s State and Local Government Accounting Committee
20 serving as the senior technical editor to that organization’s state and local government audit
21 guide, *Audits of State and Local Governments* and performed a number of assignments relating
22 to governmental accounting for the NCGA, the Municipal Finance Officers Association, and the
23 League of California Cities. Moreover, I have served as Chair of the Audit Committees of the
24 Board of Directors of both the John Wayne Cancer Institute and the John Wayne Cancer
25 Foundation. I am a Certified Public Accountant in California and Oklahoma.

26 5. I have served as an expert witness and consultant in a number of trials in state and
27 federal courts, been retained by the U.S. Securities and Exchange Commission (“SEC”) and the
28 U.S. Department of Justice, and provided related trial testimony. In addition, I have consulted
with numerous companies, public accounting firms, and governmental agencies about a variety
of financial accounting, reporting, and auditing matters.

1 6. A copy of my curriculum vitae, including my publications, is attached as
2 Appendix A.

3 **II. Scope of Assignment**

4
5 7. I have been retained by Orrick, Herrington & Sutcliffe LLP, counsel for the
6 Intervenor-Defendants to address the proposed funding structure of charter public schools as a
7 result of the charter school act (the “Charter School Act” or “Act”) in the state of Washington
8 (“Washington” or the “State”). Specifically, I have been asked to review accounting records,
9 other documents, and pleadings and to consider governmental generally accepted accounting
10 principles (“GAAP”) that govern the State’s accounting and financial reporting to address the
11 following questions.

- 12 a. Based on the State’s accounting records available to you in this matter, is
13 there evidence that the Washington Opportunity Pathways Account (“OPA”)
14 is funded by the General Fund?
- 15 b. Based on the State’s accounting records available to you in this matter, what is
16 the funding source for Washington charter public schools, including both the
17 account and the original source of funds?
- 18 c. Does an assumption that certain funds are aggregated for budgeting purposes
19 affect your conclusions to questions (a) to (b) above?
- 20 d. Does the State’s balanced budget requirement affect your conclusions to
21 questions (a) to (b) above?
- 22 e. Based on the State’s accounting records available to you in this matter, have
23 restricted funds been transferred from the State’s general fund (the “General
24 Fund”) to programs other than charter public schools at least partially funded
25 by the OPA (the “OPA-Funded Programs”) during the fiscal year ended June
26 30, 2016 (“FY 2016”)?

27
28 8. In connection with my work on this matter, I have called on the knowledge and
experience gained during my professional career. My conclusions are not intended to and do not
represent legal conclusions. Rather, my conclusions are based on my experience and expertise in

1 governmental financial accounting, reporting, and auditing and my understanding of relevant
2 facts and circumstances in this matter.

3 9. I may supplement the conclusions expressed herein based on additional
4 information that may be brought to my attention or the opinions expressed by experts retained by
5 the Plaintiffs.

6 **III. Materials Considered**

7 10. In forming my conclusions in this matter, I have considered a number of
8 documents, including the state of Washington comprehensive annual financial report (“CAFR”)
9 for the fiscal year ended June 30, 2015 (“FY 2015”) and FY 2016 as well as the Charter School
10 Act and excerpts from the Revised Code of Washington. I have also read and considered
11 relevant authoritative accounting literature. Documents upon which I have relied in forming my
12 conclusions are cited within the body to this declaration. A list of documents I considered in this
13 matter is contained in Appendix B to this declaration.

14 **IV. Summary of Conclusions**

15 11. From the perspective of GAAP and based on accounting records available to me
16 in this matter, I have concluded that:

- 17 a. Based on the accounting records I reviewed, the OPA is funded by the lottery
18 fund which is a business-type fund distinct from governmental funds such as
19 the General Fund. As such, I have not seen evidence that the OPA is funded
20 by the General Fund.
- 21 b. Based on the accounting records I reviewed, the lottery fund, through the
22 OPA, is the funding source of charter public schools.
- 23 c. Based on the accounting records I reviewed, the assumption that certain funds
24 and accounts are aggregated for budgeting purposes does not result in (1) a
25 different funding source of the OPA or (2) a different funding source of the
26 charter public schools.

- 1 d. Based on the accounting records I reviewed, the application of the State’s
2 balanced budget requirement does not result in (1) a different funding source
3 of the OPA or (2) a different funding source of the charter public schools.
4 e. Based on the accounting records I reviewed, no restricted funds have been
5 transferred from the General Fund to OPA-Funded Programs during FY 2016.

6 **V. Background**

7 12. I understand that Washington voters approved Initiative 1240 (“I-1240”) in 2012
8 providing for the establishment of up to 40 charter public schools within five years in the state.¹
9 I understand charter public schools are public schools and are open to all students free of
10 charge.² I-1240 provided for disbursements to charter public schools from basic education
11 moneys appropriated by the legislature.³

12 13. Organizations and community members brought actions against the State
13 claiming that I-1240 violated provisions of the State constitution.⁴ The Supreme Court of
14 Washington ruled that portions of I-1240 violated the State constitution and was invalid.
15 Specifically, the Supreme Court of Washington ruled (the “Supreme Court Ruling”) that,

16 The portions of I–1240 designating charter schools as common schools violate
17 article IX, section 2 of the Washington Constitution and are invalid. For the same
18 reason, the portions of I–1240 providing access to restricted common school
19 funding are also invalid. These provisions are not severable and render the entire
20 Act unconstitutional.⁵

21 14. The Supreme Court of Washington stated, however, that its ruling was not based
22 on the merits or demerits of charter public schools. In the Supreme Court Ruling, it stated,

23 ¹ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
24 Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 2. “In November 2012, Washington voters approved I–1240,
25 codified in the Act, providing for the establishment of up to 40 charter schools within five years.”

26 ² League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
27 Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 2. “new charter schools are public ‘common school[s] open to all
28 children free of charge.’”

³ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 5. “Such disbursements include basic education moneys
appropriated by the legislature in **1135 the biennial operating budget for the use of common schools and moneys
from the common school construction fund.”

⁴ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
Banc., 184 Wash. 2d 393, September 4, 2015, p 1. “Organizations and community members brought action against
State seeking declaratory judgment that the Charter School Act violated several provisions of the state constitution.”

⁵ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 28.

1 Our inquiry is not concerned with the merits or demerits of charter schools.
2 Whether charter schools would enhance our state's public school system or
3 appropriately address perceived shortcomings of that system are issues for the
4 legislature and the voters.⁶

5 15. One of the justices, Justice Fairhurst, dissented in part from Supreme Court Ruling.
6 In her dissent in part, Justice Fairhurst noted that I-1240 did not require the use of resources
7 restricted to common schools and thus was “facially valid.” Specifically, she stated,

8 I agree that charter schools are not common schools. But because nothing in the
9 Act expressly requires the use of restricted funds, the Act is facially valid. Since
10 charter schools may be constitutionally funded with unrestricted monies from the
11 general fund, I concur in part and dissent in part.⁷

12 16. Following the Supreme Court Ruling, the Washington legislation passed
13 Engrossed Second Substitute Senate Bill 6194, Laws of 2016, ch. 241, the Charter Public
14 Schools Act, which “reenacts and amends Initiative 1240 provisions to authorize charter public
15 schools and address the Washington Supreme Court’s concerns of non-common school status
16 and funding.”⁸

17 17. Specifically, the Charter School Act designates charter public schools as schools
18 which are not common schools.⁹ Moreover, under the Charter School Act, charter public schools
19 are funded by the OPA.¹⁰ I understand more than \$10 million from the OPA was to be
20 appropriated to fund charter public schools in 2016.¹¹ Notably, the legislation stated that charter
21 public schools could receive public funding, but could not receive resources restricted to
22 common schools,

23 Legislative intent that state funding for charter public schools be equitable to the
24 state funding received by other public schools is provided and includes: the
25 prototypical school funding, any enrichment specified in the budget, and
26 categorical program funding. [The Office of the Superintendent of Public

27 ⁶ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
28 Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 7.

⁷ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 29.

⁸ Senate Bill Report E2SSB 6194, p. 1.

⁹ Senate Bill Report E2SSB 6194, p. 2. “Initiative 1240 is reenacted and amended to designate charter schools as
schools which are not common schools which operate separately from the common school system.”

¹⁰ Senate Bill Report E2SSB 6194, p. 2. “Charter schools are funded by the Washington Opportunity Pathways
Account (WOPA). Funding for other education programs that are not associated with a school district are also
provided by WOPA.”

¹¹ State of Washington, Second Engrossed Substitute House Bill 2376, Chapter 36, Laws of 2016, Operating Budget
– Supplemental, p. 236.

1 Instruction] must adopt rules for distribution of the funding. Charter public
2 schools may receive state funding for school construction, but not from the
3 common school construction fund. Charter schools are not eligible for local levy
4 funds.¹²

5 18. I understand that several plaintiffs (the “Plaintiffs”)¹³ filed a complaint against the
6 state of Washington alleging that the Charter School Act remains unconstitutional after it was
7 amended by the legislation as it did not cure the defects of I-1240.¹⁴ As such, Plaintiffs brought
8 action against the State to prevent the implementation of charter public schools and the allegedly
9 “unlawful diversion of public funds.”¹⁵ Specifically, Plaintiffs allege that,

10 Like I-1240, the Charter School Act is another unconstitutional effort to create an
11 alternative school system to the common schools system that serves the same
12 population as common schools and is funded on the exact same basis as common
13 schools. Because the Charter School Act does not resolve the constitutional
14 defects identified by the Supreme Court in League of Women Voters, . . . and
15 otherwise violates rights as outlined below, Plaintiffs seek declaratory and
16 injunctive relief against the State to declare the Charter School Act
17 unconstitutional, to prevent its implementation, and to prevent the
18 unconstitutional and unlawful diversion of public funds to charter schools...¹⁶

19 **VI. Overview of Governmental Financial Accounting and Reporting**

20 19. In this section, I provide an overview of governmental financial accounting and
21 reporting that is relevant to the proposed funding structure of charter public schools at issue in
22 this matter.

23 **A. Financial Reporting for Governmental Entities**

24 20. Activities of governmental entities are generally divided into two categories: (1)
25 governmental-type activities performed by general purpose governmental entities such as states
26 and (2) business-type activities performed by departments of governmental entities or special
27

28 ¹² Senate Bill Report E2SSB 6194, p. 6.

¹³ I understand the Plaintiffs include El Centro de la Raza, League of Women Voters of Washington, Washington Association of School Administrators, Washington Education Association, International Union of Operating Engineers 609, Aerospace Machinists Union, IAM&AW DL 751, Washington State Labor Council, AFL-CIO, United Food and Commercial workers Union 21, Washington Federation of State Employees, American Federation of Teachers Washington, Teamsters Joint Council No. 28, Wayne Au, Ph.D, Pat Braman, and Donna Boyer.

¹⁴ El Centrol de la Raza v. State of Washington, Superior Court of the State of Washington, County of King, No. 15-2-18527-4 SEA, First Amended Complaint for Declaratory Judgement and Injunctive Relief (“Amended Complaint”), ¶ 5.

¹⁵ Amended Complaint, ¶ 5.

¹⁶ Amended Complaint, ¶ 5.

1 purposes entities.¹⁷ Governments provide information about those activities through financial
2 reporting.

3 21. Financial reporting for governmental entities is intended to provide information
4 useful for many purposes. Importantly, one of those purposes is to help fulfill the government’s
5 duty to be publicly accountable.¹⁸

6 22. Financial statements “are the core of financial reporting and are the principal
7 means of communicating financial information to external users.”¹⁹ Financial statements
8 presented in conformity with GAAP are included in the CAFRs.²⁰ Financial accounting and
9 reporting standards establishing GAAP for state and local governments are promulgated by the
10 GASB, of which I was a member.²¹ The GASB acknowledges the public accountability aspect
11 of financial reporting for public entities and sets standards that enable users to evaluate the
12 government’s duty in that regard.²² As such, the CAFRs and other accounting documents enable
13 individuals to determine the sources and uses of funds for both types of governmental
14 activities.²³

15 ¹⁷ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 10. “Governmental activities have
16 traditionally been divided into two categories—governmental-type activities and business-type activities.
17 Governmental-type activities are performed by general purpose governmental entities such as states, cities, counties,
18 towns, and villages, as well as by certain special purpose governmental entities. Governmental entities perform
19 business-type activities both through departments of general purpose governmental entities and through special
20 purpose governmental entities created to perform these activities.”

21 ¹⁸ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 3. “Financial reporting is not an end in
22 itself but is intended to provide information useful for many purposes. Financial reporting helps fulfill government’s
23 duty to be publicly accountable. Financial reporting also helps to satisfy the needs of users who have limited
24 authority, ability, or resources to obtain information and who therefore rely on the reports as an important source of
25 information. For that purpose, financial reporting objectives should consider the needs of users and the decisions
26 they make.”

27 ¹⁹ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 6.

28 ²⁰ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 6. “Financial statements are the core of
financial reporting and are the principal means of communicating financial information to external users.
Governmental general purpose financial reporting includes, in addition to general purpose financial statements
(GPFS), —popular reports and comprehensive annual financial reports (CAFRs).”

²¹ GASB, About the GASB, (“Established in 1984, the GASB is the independent, private-sector organization based
in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local
governments that follow Generally Accepted Accounting Principles (GAAP).”)

²² GASB Concepts Statement No. 1, Objectives of Financial Reporting, Summary, p. ii, “The Board believes that
financial reporting plays a major role in fulfilling government’s duty to be publicly accountable in a democratic
society. Public accountability is based on the belief that the taxpayer has a ‘right to know,’ a right to receive openly
declared facts that may lead to public debate by the citizens and their elected representatives.”

²³ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 78. “Financial reporting should provide
information about sources and uses of financial resources. Financial reporting should account for all outflows by
function and purpose, all inflows by source and type, and the extent to which inflows met outflows. Financial
reporting should identify material nonrecurring financial transactions.”

1 23. Budgets adopted by legislative bodies of governmental entities serve several
2 important purposes. First, budgets represent an expression of public policy and financial plans.²⁴
3 As such, budgets are defined as

4 [A] plan for the coordination of revenues and expenditures or as the amount of
5 money that is available for, required for, or assigned to a particular purpose.²⁵

6 24. Budgets are also a form of control as they provide both authorizations of and
7 limitations on amounts that may be spent for particular purposes.²⁶ Finally, budgets can be used
8 to evaluate performance.²⁷ Once budgets are established, the funding that is established in those
9 budgets is taken into consideration in governmental accounting and financial reporting.

10 **B. Governmental Fund Types**

11 25. Governmental entities report information in various funds. Pertinent authoritative
12 financial accounting and reporting standards that guide the preparation of financial statements in
13 conformity with GAAP explain that governmental funds are, in essence, accounting segregations
14 of financial resources. This segregation applies to the five types of governmental funds,
15 including the general fund, and business-type funds such as the enterprise fund relevant in this
16 matter.

17 26. A fund includes expendable assets that are assigned to that fund according to the
18 purpose for which the assets may or must be used:

19 ²⁴ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 19. “a. It is an expression of public policy.
20 Budgets result from the legislative process and require resolution of conflicting views about the way in which and
21 extent to which financial resources will be raised and used. The citizenry participates in the budget process either
22 directly or indirectly, through elected representatives or advocate groups. Once adopted, the budget is a formal
23 expression of public policy on the entity’s objectives and priorities and on how resources will be provided to meet
24 those objectives. b. It is a financial plan, or an expression of financial intent. It sets forth the proposed expenditures
25 for the year and the means of financing them. Statutes and local ordinances often require or imply a ‘balanced
26 budget,’ even though the term may not be precisely defined. There is also a common perception that state and local
27 governments need to ‘live within their means,’ a logical implication of the balanced-budget concept.”

28 ²⁵ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 19.

²⁶ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 19. “It is a form of control usually having
the force of law. A legally adopted budget provides both authorizations of and limitations on amounts that may be
spent for particular purposes. Because budgetary authorizations result from competition for scarce resources and
budgetary limitations generally cannot be exceeded without due process, the governmental entity needs to
demonstrate that it is accountable from both the authorization and the limitation perspectives.”

²⁷ GASB Concepts Statement No. 1, Objectives of Financial Reporting, ¶ 19. “It may provide a basis for evaluating
performance. Comparisons of actual results to the legally adopted budget can provide information to help users
assess whether resources were obtained and expended as anticipated. Detailed performance evaluation, however,
requires the government to establish service efforts and accomplishment goals and to accumulate actual data for
comparison purposes.”

1 Governmental funds are, in essence, accounting segregations of financial
2 resources. Expendable assets [such as cash] are assigned to the various
3 governmental funds according to the purposes for which they may or must be
4 used; current liabilities are assigned to the fund from which they are to be paid;
and the difference between fund assets and liabilities, the fund equity, is referred
to as “Fund Balance.”²⁸

5 27. The general fund is one of the governmental funds. The GASB states that the
6 general fund “should be used to account for and report all financial resources not accounted for
7 and reported in another fund.”²⁹

8 **C. Fund Balance Reporting**

9 28. The fund balance of a governmental fund is the mathematical difference between
10 its assets and its liabilities.³⁰ The GASB states,

11 Fund balance for governmental funds should be reported in classifications that
12 comprise a hierarchy based primarily on the extent to which the government is
13 bound to honor constraints on the specific purposes for which amounts in those
funds can be spent.³¹

14 29. The GASB defines five classifications of fund balances to honor constraints on
15 the specific purposes for which amounts in those funds can be spent:

18 ²⁸ National Council on Governmental Accounting Statement 1, *Governmental Accounting and Financial Reporting*
19 *Principles* (“NCGA Statement 1”), par. 18 (1), 1979. The National Council on Governmental Accounting was the
predecessor organization to the GASB. Those standards not superseded or modified by the GASB remain
20 authoritative in establishing GAAP. Governmental Accounting Standards Series Statement No. 1 of the
Governmental Accounting Standards Board: *Authoritative Status of NCGA Pronouncements and AICPA Industry*
21 *Audit Guide*, July 1984, p. i (“This Statement sets forth the authoritative status of the National Council on
Governmental Accounting (NCGA) Statements and Interpretations and of the accounting and financial reporting
22 guidance contained in the Industry Audit Guide, *Audits of State and Local Governmental Units*, issued by the
American Institute of Certified Public Accountants (AICPA) in 1974, as amended by certain Statements of Position.
23 All NCGA pronouncements previously issued and in effect as of the date of this Statement and the currently
effective accounting and financial reporting guidance contained in the AICPA Industry Audit Guide are continued in
24 force until altered, amended, supplemented, revoked, or superseded by a subsequent GASB pronouncement.”)

²⁹ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 29.

³⁰ NCGA Statement 1, ¶ 16. “Governmental’ accounting systems should be organized and operated on a fund basis.
25 A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other
financial resources, together with all related liabilities and residual equities or balances, and changes therein.”

³¹ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 5. “Fund balance for
26 governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to
27 which the government is bound to honor constraints on the specific purposes for which amounts in those funds can
be spent.”

- 1 a. Nonspendable fund balance “includes amounts that cannot be spent because they are
2 either (a) not in spendable form or (b) legally or contractually required to be maintained
3 intact.”³²
- 4 b. Restricted fund balance occurred when the use of resources is constrained by either “a.
5 Externally imposed by creditors (such as through debt covenants), grantors, contributors,
6 or laws or regulations of other governments; or b. Imposed by law through constitutional
7 provisions or enabling legislations.”³³
- 8 c. Committed fund balance represents “[a]mounts that can only be used for specific
9 purposes pursuant to constraints imposed by formal action of the government’s highest
10 level of decision-making authority.”³⁴ Committed fund balances, however, can be
11 redeployed for other purposes by the government by taking the same type of action it
12 employed to previously commit those amounts.³⁵
- 13 d. Assigned fund balance represents “[a]mounts that are constrained by the government’s
14 intent to be used for specific purposes, but are neither restricted nor committed.”³⁶
Moreover, “the authority for making an assignment is not required to be the
government’s highest level of decision-making authority.”³⁷

15 _____
16 ³² GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 6.

17 ³³ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 8. “Enabling
18 legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise
19 mandate payment of resources (from external resource providers) and includes a legally enforceable requirement
20 that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means
21 that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—
22 to use resources created by enabling legislation only for the purposes specified by the legislation.” GASB Statement
23 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 9.

24 ³⁴ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 10.

25 ³⁵ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶¶ 10–12. “Those
26 committed amounts cannot be used for any other purpose unless the government removes or changes the specified
27 use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously
28 commit those amounts. The authorization specifying the purposes for which amounts can be used should have the
consent of both the legislative and executive branches of the government, if applicable. Committed fund balance
also should incorporate contractual obligations to the extent that existing resources in the fund have been
specifically committed for use in satisfying those contractual requirements. In contrast to fund balance that is
restricted by enabling legislation, as discussed in paragraph 9, amounts in the committed fund balance classification
may be redeployed for other purposes with appropriate due process, as explained in paragraph 10. Constraints
imposed on the use of committed amounts are imposed by the government, separate from the authorization to raise
the underlying revenue. Therefore, compliance with constraints imposed by the government that commit amounts to
specific purposes is not considered to be legally enforceable, as defined in paragraph 9. The formal action of the
government’s highest level of decision-making authority that commits fund balance to a specific purpose should
occur prior to the end of the reporting period, but the amount, if any, which will be subject to the constraint, may be
determined in the subsequent period.”

³⁶ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 13.

³⁷ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 14.

1 e. Unassigned fund balance “is the residual classification for the general fund.”³⁸ As such,
2 it “represents fund balance that has not been assigned to other funds and that has not been
3 restricted, committed, or assigned to specific purposes within the general fund. The
4 general fund should be the only fund that reports a positive unassigned fund balance
5 amount.”³⁹

6 30. As such, the accounting and financial reporting of a governmental entity provides
7 evidence of how funding is sourced and how changes in funding of one project may affect
8 another. Moreover, the classifications of fund balance are also intended to provide information
9 relevant to the financial flexibility of the governmental entity (i.e., its ability to deploy or re-
10 deploy its net assets).

11 31. In the absence of a specific governmental policy, the GASB established a
12 presumption that governmental entities expend funds whose use is limited first and unassigned
13 fund balance last:

14 If a government does not establish a policy for its use of unrestricted fund balance
15 amounts, it should consider that committed amounts would be reduced first,
16 followed by assigned amounts, and then unassigned amounts when expenditures
17 are incurred for purposes for which amounts in any of those unrestricted fund
18 balance classifications could be used.⁴⁰

19 32. These passages hold important implications for the issues relevant in the current
20 matter. In the following sections of this declaration I analyze the implications of these
21 provisions in light of other relevant provisions of the authoritative financial accounting and
22 reporting standards establishing GAAP for governmental entities.

23 **VII. Funding of Charter Public Schools by the OPA**

24 33. I understand Plaintiffs allege that the proposed funding of charter public schools
25 by the OPA represents the use of resources restricted to common schools in the General Fund.
26

27 ³⁸ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 17.

28 ³⁹ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 17.

⁴⁰ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 18. The GASB also states, “[T]he Board decided that this Statement should provide a ‘default’ policy for governments that do not establish a policy, stipulating that, committed amounts would be reduced first, followed by assigned amounts, and then unassigned, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used” (GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 85.)

1 Specifically, Plaintiffs claim that “[u]sing certain state monies to fund schools other than
2 common schools violates the Constitution.”⁴¹ To support their claim, Plaintiffs asserts that, in
3 the Supreme Court Ruling, “[t]he Court explained that the constitutional protection afforded to
4 common school appropriations is not dependent on the source of the revenue or the account in
5 which the funds are held.”⁴² As described in more detail below, using accounting and financial
6 information available to me, I conclude that the Plaintiffs’ claim is flawed.

7 **A. Funding of the OPA**

8 34. The OPA is funded by proceeds from lottery ticket sales in Washington.
9 Specifically, the OPA is expected to receive funding annually from state lottery games.⁴³ Based
10 on the FY 2016 CAFR, lottery ticket revenues are initially recorded in the lottery fund.⁴⁴ The
11 lottery fund represents a nonmajor enterprise fund, a business-type fund, of the State.⁴⁵ The
12 State defines enterprise funds as accounting “for any activity for which a fee is charged to
external users for goods or services.”⁴⁶

13 35. Conversely, the General Fund is a major governmental fund of the State.⁴⁷ The
14 State asserts that the governmental funds are used to account for governmental activities.⁴⁸ The
15 State defines the General Fund as “the chief operating fund of the state of Washington.”⁴⁹ As
16 such, from an accounting perspective, lottery revenues are recorded in a business-type fund
distinct from governmental funds such as the General Fund.

17 36. According to the State’s accounting records and illustrated in Appendix C, the
18 lottery fund generated positive income (i.e., revenues in excess of expenses, including prize
19 payments) during FY 2016.⁵⁰ As a result of this positive income, the State transferred a net
20 amount of \$175.5 million from the lottery fund to other funds and accounts during FY 2016.⁵¹
21 The OPA represents one of the specified uses of the state lottery revenues and receives most of

22 ⁴¹ Amended Complaint, ¶ 57.

23 ⁴² Amended Complaint, ¶ 57.

24 ⁴³ RCW 67.70.340, Transfer of shared game lottery proceeds. “The Washington opportunity pathways account is
25 expected to receive one hundred two million dollars annually from state lottery games other than the shared game
26 lottery.”

27 ⁴⁴ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 231. Also see Appendix C, at 231.

28 ⁴⁵ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 231. Also see Appendix C, at 231.

⁴⁶ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 231. Also see Appendix C, at 231.

⁴⁷ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 44. Also see Appendix C, at 44.

⁴⁸ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 24. Also see Appendix C, at 24.

⁴⁹ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 31. Also see Appendix C, at 31.

⁵⁰ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 234. Also see Appendix C, at 234.

⁵¹ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 234. Also see Appendix C, at 234.

1 the proceeds from sales of lottery games.⁵² I understand the specified uses of lottery revenues
2 are:

- 3 a. Payment of prizes;
- 4 b. Deposits into the reserve account and the lottery administrative account;
- 5 c. **Deposits into the OPA;**
- 6 d. Distribution to the stadium and exhibition center account;
- 7 e. Purchases and promotion of lottery games and game-related services;
- 8 f. Payment of agent compensation; and,
- 9 g. Distribution to the gambling revolving fund.⁵³

10 37. Moreover, according to the State’s accounting records and illustrated in Appendix
11 D, the total amount of annual cash transfers from the lottery fund to the OPA matches the total
12 annual cash funding of the OPA account for fiscal years ended June 30, 2011 to June 30, 2015.⁵⁴
13 Similarly, the total amounts of forecasted annual cash transfers from the lottery fund to the OPA
14 matches the total forecasted annual cash funding of the OPA account for fiscal years ending June
15 30, 2016 to June 30, 2021, the last year available.⁵⁵

17 ⁵² Washington State, Washington State Economic and Revenue Forecast, Volume XXXIX, No. 3, September 2016,
18 p. 59. Also see Appendix D, at 59.

19 ⁵³ RCW 67.70.240, Use of moneys in state lottery account limited. “(1) The moneys in the state lottery account may
20 be used only: (a) For the payment of prizes to the holders of winning lottery tickets or shares; (b) For purposes of
21 making deposits into the reserve account created by RCW 67.70.250 and into the lottery administrative account
22 created by RCW 67.70.260; (c) For purposes of making deposits into the Washington opportunity pathways account
23 created in RCW 28B.76.526. Moneys in the state lottery account deposited in the Washington opportunity pathways
24 account are included in ‘general state revenues’ under RCW 39.42.070; (d) For distribution to the stadium and
25 exhibition center account, created in RCW 43.99N.060. Subject to the conditions of RCW 43.99N.070, six million
26 dollars must be distributed under this subsection during the calendar year 1998. During subsequent years, such
27 distribution must equal the prior year’s distributions increased by four percent. No distribution may be made under
28 this subsection after December 31, 1999, unless the conditions for issuance of the bonds under RCW 43.99N.020(2)
are met. Distributions under this subsection must cease when the bonds are retired, but not later than December 31,
2020;

(e) For the purchase and promotion of lottery games and game related services; (f) For the payment of agent
compensation; and (g) For distribution to the gambling revolving fund, created in RCW 9.46.100, in amounts
specified in the omnibus appropriations act. To meet the cash flow needs of both agencies, the director of the state
lottery and the director of the Washington state gambling commission may determine the timing of the distribution,
which may include incremental distributions over the course of the fiscal year.” emphasis added.

⁵⁴ Washington State, Washington State Economic and Revenue Forecast, Volume XXXIX, No. 3, September 2016,
pp. 75–76. Also see Appendix D, at 75–76.

⁵⁵ Washington State, Washington State Economic and Revenue Forecast, Volume XXXIX, No. 3, September 2016,
pp. 75–76. Also see Appendix D, at 75–76.

1 38. In sum, based on the accounting records I reviewed, the OPA is funded by the
2 lottery fund which is a business-type fund distinct from governmental funds such as the General
3 Fund. As such, I have not seen evidence that the OPA is funded by the General Fund.

4 **B. Use of OPA Resources**

5 39. The resources in the OPA, which originated from the lottery fund, as described
6 above, are then appropriated to various programs at the discretion of the legislative authority.
7 According to the legislation, the OPA provides “[f]unding for other education programs that are
8 not associated with a school district.”⁵⁶ According to the 2016 supplemental operating budget of
9 the State, more than \$10 million from the OPA was to be appropriated to fund charter public
10 schools in 2016.⁵⁷ Notably, I understand expenditures from the OPA are limited to specific
11 programs listed below, of which common schools are not included:

- 12 a. **Charter schools;**
- 13 b. State work-study;
- 14 c. Opportunity grant;
- 15 d. Washington scholars award;
- 16 e. Washington award for vocational excellence;
- 17 f. State need grant program;
- 18 g. GET ready for math and science scholarship;
- 19 h. Passport to college promise;
- 20 i. College bound scholarship;
- 21 j. Washington promise scholarship; and,
- 22 k. Early childhood education and assistance program.⁵⁸

23 ⁵⁶ 2010 1st sp.s. c 27 § 1, Findings – Intent; Senate Bill Report E2SSB 6194, p. 2.

24 ⁵⁷ State of Washington, Second Engrossed Substitute House Bill 2376, Chapter 36, Laws of 2016, Operating Budget
– Supplemental, p. 236.

25 ⁵⁸ RCW 28B.76.526, Washington opportunity pathways account. “The Washington opportunity pathways account is
26 created in the state treasury. Expenditures from the account may be used only for programs in chapter 28A.710
27 RCW (charter schools), chapter 28B.12 RCW (state work-study), chapter 28B.50 RCW (opportunity grant), RCW
28B.76.660 (Washington scholars award), RCW 28B.76.670 (Washington award for vocational excellence), chapter
28B.92 RCW (state need grant program), chapter 28B.105 RCW (GET ready for math and science scholarship),
chapter 28B.117 RCW (passport to college promise), chapter 28B.118 RCW (college bound scholarship), chapter
28B.119 RCW (Washington promise scholarship), and chapter 43.215 RCW (early childhood education and
assistance program),” emphasis added.

1 I understand that each of the programs listed above, except for the charter public schools, may
2 receive funding from the General Fund:

3 40. As such, consistent with authoritative financial accounting and reporting
4 standards, charter public schools represent one of the limited uses of the OPA funds. Conversely,
5 common schools are not one of these limited uses. As such, based on the accounting records I
6 reviewed, the lottery fund, through the OPA, is the funding source of charter public schools.

7 **VIII. Assumed Account and Fund Grouping for Budgeting Purposes**

8 41. I understand Plaintiffs allege in their motion for summary judgment (the
9 “Plaintiffs MSJ”), that General Fund and the OPA are grouped together for budgeting purposes.
10 Specifically, Plaintiffs assert,

11 The Act’s funding mechanism is consistent with the Legislature’s general practice
12 of treating the General Fund and the Opportunity Pathways Account as one pot of
13 money during the budgeting process...⁵⁹

14 42. Such a claim, however, does not necessarily affect the actual flow of resources to
15 fund charter public schools or common schools. As described in more detail in Section VI above,
16 budgets adopted by legislative bodies of governmental entities serve several important purposes.
17 The budgets, however, in and of themselves do not create funds or accounts of governmental
18 entities.

19 43. Moreover, the FY 2016 CAFR states that “[o]perating appropriations are
20 generally made at the fund/account and agency level”⁶⁰ and thus the “budgetary control is at the
21 fund/account, agency and appropriation level, with administrative controls established at lower
22 levels of detail in certain instances.”⁶¹ As such, assuming the OPA and the General Fund are
23 aggregated (“grouped”) for certain budgeting purposes, the State’s budgetary control is generally
24 performed at a lower level.⁶²

25 44. In sum, based on the accounting records I reviewed, the assumption that certain
26 funds and accounts are aggregated for budgeting purposes would not change my previous
27 conclusions regarding the funding sources of the OPA and charter public schools. As such,
28

⁵⁹ Plaintiffs MSJ, p. 27.

⁶⁰ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 5. Also see Appendix C, at 5.

⁶¹ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 5. Also see Appendix C, at 5.

⁶² Washington, CAFR, for the fiscal year ended June 30, 2016, p. 5. Also see Appendix C, at 5.

1 based on the accounting records I reviewed, this assumption does not result in (1) a different
2 funding source of the OPA or (2) a different funding source of the charter public schools.

3 **IX. Washington’s Balanced Budget Requirement**

4
5 45. I understand Plaintiffs also assert that the State’s balanced budget requirement to
6 support their assertion above that the General Fund and the OPA should be considered jointly for
7 education funding purposes. Specifically, Plaintiffs assert,

8 The Act’s funding mechanism is consistent with the Legislature’s general practice
9 of treating the General Fund and the Opportunity Pathways Account as one pot of
10 money during the budgeting process, **including in meeting its duty to enact a
11 balanced budget.**⁶³

12 46. Balanced budget requirements, however, do not necessarily affect the actual flow
13 of resources to fund charter public schools. Specifically, the State’s balanced budget
14 requirement consists of the following:

15 [T]he Legislature is required by law to adopt an operating appropriations bill that
16 leaves a positive ending balance in the General Fund and related accounts.
17 Furthermore, the projected maintenance cost of the budget must not exceed
18 available fiscal resources in the next biennium.⁶⁴

19 47. In other words, annual expenditure appropriation must be lower than the sum of
20 (1) current year revenue and (2) the prior year ending General Fund balance. To the extent that
21 unassigned fund balance exists at the beginning of the year, resources spent up to that beginning
22 balance could not represent resources restricted to the support of common schools during that
23 period. Consequently, using that unassigned fund balance for other purposes does not logically
24 diminish resources restricted for common schools.

25 48. In sum, based on the accounting records I reviewed, the application of the State’s
26 balanced budget requirement would not change my previous conclusions regarding the funding
27 sources of the OPA and charter public schools. As such, based on the accounting records I
28 reviewed, the State’s balanced budget requirement does not result in (1) a different funding
source of the OPA or (2) a different funding source of the charter public schools.

⁶³ Plaintiffs MSJ, p. 27, emphasis added.

⁶⁴ State of Washington, A Guide to the Washington State Budget Process, May 2016, p. 8.

1 **X. Washington’s General Fund**

2 49. I understand Plaintiffs allege that the funding of charter public schools by the
3 OPA constitutes a diversion of resources from common schools to OPA-Funded Programs.
4 Specifically, Plaintiffs claim,

5 The [Charter School] Act, however, does not change the substantive effect of
6 charter schools on restricted basic education funding...The [Charter School] Act
7 did not establish a new revenue source or eliminate any existing expenditures.
8 Instead, as confirmed by the legislative history, the legislature intends merely to
9 move existing moneys and/or existing programs between the general fund and the
10 Washington Education Pathways Fund as needed to continue the diversion of
public funds to charter schools. The constitutional defects in I-1240’s funding
provisions identified by the Court cannot be overcome by this type of shell
game.⁶⁵

11 As discussed in Section VII above, based on the accounting records I reviewed, the lottery fund,
12 through the OPA, is the funding source of charter public schools. However, as described in more
13 detail below, even if the charter public schools were assumed to have been indirectly funded by
14 the General Fund, based on the accounting records I reviewed, no restricted funds have been
transferred from the General Fund to OPA-Funded Programs during FY 2016.

15 50. As an initial matter, Plaintiffs’ assertion fails to address the policy of the State of
16 Washington with regard to the order in which resources expended are assumed to have occurred.
17 Specifically, the State disclosed in its CAFR that restricted resources are assumed to have been
18 incurred first before unrestricted resources

19 When resources meeting more than one of the classifications (excluding
20 nonspendable) are comingled in an account, assuming that the expenditure meets
21 the constraints of the classification, the assumed order of spending is restricted
first, committed second, and finally assigned.⁶⁶

22 51. This Washington governmental assumption is consistent with the presumption in
23 the aforementioned authoritative financial accounting and reporting standards to the effect that
24 funds whose use is limited should be reduced first and unassigned fund balance last.⁶⁷

25 ⁶⁵ Amended Complaint, ¶ 43.

26 ⁶⁶ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 79. Also see Appendix C, at 79.

27 ⁶⁷ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 18. “If a government
28 does not establish a policy for its use of unrestricted fund balance amounts, it should consider that committed
amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are
incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.”

1 52. The General Fund includes constitutionally restricted common school property
2 tax levy revenues that can only be used to fund common schools.⁶⁸ Although state property tax
3 is the third largest source of general fund revenue, “it is dedicated to the funding of basic
4 education.”⁶⁹ According to the CAFRs and illustrated in Appendix C, revenues from property
5 taxes were approximately \$2.1 billion in FY 2016.⁷⁰ From an accounting perspective, these
6 resources are restricted. Elementary and secondary education expenditures, however, were
7 substantially higher than the restricted resources at approximately \$10.2 billion during the same
8 fiscal year.⁷¹

9 53. As such, consistent with the State’s expressed policy, the entirety of the revenues
10 restricted for common schools is considered to have been exhausted during FY 2016 through
11 spending on common schools. The State’s expressed policy is consistent with the \$0 fund
12 balance restricted for education in the General Fund as of June 30, 2016.⁷² That is, according to
13 the State’s CAFRs and illustrated in Appendix C, all of the resources restricted to support
14 common schools were so expended and none were diverted to other purposes.

15 54. Moreover, Plaintiffs’ assertion also fails to account for the substantive unassigned
16 General Fund balance of the State. According to the FY 2016 CAFR and illustrated in Appendix
17 C, Washington had an unassigned fund balance of \$1.36 billion in its General Fund, representing
18 an increase of \$391 million over the unassigned fund balance of \$964 million one year earlier.⁷³

19 55. Washington defines the unassigned fund balance as “represent[ing] the residual
20 amount for the General Fund that is not contained in other classifications.”⁷⁴ The State adds, the
21 “unassigned fund balance may serve as a useful measure of a government’s net resources
22 available for spending at the end of the fiscal year.”⁷⁵ Moreover, as described in Section VI
23 above, according to the GASB, the unassigned general fund balance represents an amount “that

24 ⁶⁸ League of Women Voters of Washington et al. v. State of Washington et al., Supreme Court of Washington, En
25 Banc., 184 Wash. 2d 393, September 4, 2015, ¶ 19. “[S]ince at least 1967, the constitutionally restricted common
26 school property levy revenues have been deposited in the State’s ‘general fund,’ which is used for the basic
27 education allocation.”

28 ⁶⁹ Washington State, Washington State Economic and Revenue Forecast, Volume XXXIX, No. 3, September 2016,
p. 55. Also see Appendix D, at 55.

⁷⁰ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 46. Also see Appendix C, at 46.

⁷¹ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 40. Also see Appendix C, at 40.

⁷² Washington, CAFR, for the fiscal year ended June 30, 2016, p. 136. Also see Appendix C, at 136.

⁷³ Washington, CAFR, for the fiscal year ended June 30, 2015, p. 42; Washington, CAFR, for the fiscal year ended
June 30, 2016, p. 44. Also see Appendix C, at 44.

⁷⁴ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 79. Also see Appendix C, at 79.

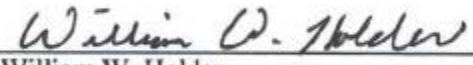
⁷⁵ Washington, CAFR, for the fiscal year ended June 30, 2016, p. 24. Also see Appendix C, at 24.

1 has not been restricted, committed, or assigned to specific purposes within the general fund,⁷⁶
2 and thus is generally available for future deployment for any legitimate governmental purpose.
3 Finally, as compared to the restricted fund balance described above, the State's expressed policy
4 assumes that unassigned fund balance is the residual balance to be used.

5 56. In sum, based on authoritative financial accounting and reporting standards and
6 the State's CAFRs, during FY 2016, the State reports to have exhausted revenues restricted to
7 common schools through spending on common schools. Moreover, the State had substantial
8 unassigned fund available as of June 30, 2016 to allocate to programs based on its current and/or
9 changing priorities. Therefore, based on authoritative financial accounting and reporting
10 standards and on the accounting records I reviewed, no restricted funds have been transferred
11 from the General Fund to OPA-Funded Programs during FY 2016.

12 I declare under penalty of perjury under the laws of the State of Washington that the
13 foregoing is true and accurate to the best of my knowledge and belief.

14 DATED this 20th day of December 2016, in Los Angeles, California.

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16 
17 William W. Holder

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⁷⁶ GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ¶ 17.

Appendix A
William W. Holder
Curriculum Vitae

I. General Information

A. Personal Data

1. Home Address:
409 North Star Lane
Newport Beach, CA 92660-5717
Phone: (949) 642-9634
Fax: (949) 642-9664
2. Business Address:
University of Southern California
Leventhal School of Accounting
Los Angeles, California 90089-0441
Phone: (213) 740-4855
Fax: (213) 747-2815

B. Academic and Professional Preparation

1. Formal Education
 - a. University of Oklahoma, Doctor of Business Administration, 1974.
Major - Accounting, Minors - Economics and Management. Dissertation
Title - "The Impact of Third Party Reimbursement upon Capital
Budgeting Decisions of Hospitals."
 - b. University of Oklahoma, Master of Accountancy, 1972.
 - c. Oklahoma State University, Bachelor of Science Accounting, 1969.
2. Professional Certificates
 - a. Certified Public Accountant, Oklahoma and California.

C. Professional Experience

1. Academic
 - a. Dean, Leventhal School of Accounting and Alan Casden Dean's Chair in
Accountancy, University of Southern California, appointed 2011 to
present.
 - b. Ernst & Young Professor, University of Southern California, 1990 to
2011.
 - c. Accounting Circle Professor, University of Southern California, 1988 to
1990.
 - d. Professor, University of Southern California, 1986 to 1988

- e. Associate Professor, University of Southern California, 1979 to 1986
 - f. Associate Professor, Texas Tech University, 1977 to 1979.
 - g. Assistant Professor, Texas Tech University, 1974 to 1977.
 - h. Visiting Associate Professor, University of Tennessee, Summer, 1978.
 - i. Special Instructor, University of Oklahoma, 1970 to 1974.
2. Professional (compensated)

Member, Governmental Accounting Standards Board, July 1, 2000 to June 30, 2010.

3. Administrative

Director, SEC and Financial Reporting Institute
 University of Southern California, 1994 - 2011
 Director, Master of Accounting Program
 University of Southern California, 1983 to 1988

4. Other

- a. Head of Accounting Services, 1969-1970, Oklahoma State University, Stillwater, Oklahoma.
- b. Independent Certified Public Accountant, 1971 to 1975.
- c. Faculty Resident, Peat, Marwick, Mitchell & Co. 1976.
- d. Faculty Fellow, Price Waterhouse, 1980.
- e. Faculty Fellow, Coopers & Lybrand, 1988.

Many individual consulting engagements with various public accounting firms, municipalities, industries and in litigation support.

II. Teaching Effectiveness

A. Dissertation Committees

- 1. Chairman, Dissertation Committee of Salih Jadallah. Title, Operational Auditing of Governmental Units in Saudi Arabia.
- 2. Member, Dissertation Committee of John Klover. Title, Physician's Attitudes Toward Collective Bargaining.
- 3. Member, Dissertation Committee of Robert W. Ingram. Title, Social Disclosures and Security Returns.
- 4. Member, Dissertation Committee of Mary Akpovi. Title, An Analysis of the Nigerian Economy Within the Framework of the Wedge Model.
- 5. Member, Dissertation Committee of Avelina Delea. Title, Effectiveness of Governmental Audit Functions.

B. Awards

1. Distinguished Scholar Alumnus, Price College of Business, University of Oklahoma, 2015.
2. Distinguished Alumnus, Oklahoma State University. Inducted into the Wilton T. Anderson School of Accounting Hall of Fame, 2010.
3. Award for Distinguished Service, California Society of Certified Public Accountants, 2007.
4. Gold Medal Award for Distinguished Service, American Institute of Certified Public Accountants (AICPA) "In recognition of such a distinguished career, and with great appreciation, the Institute presents the Gold Medal for Distinguished Service, its highest award...", 2006.
5. Distinguished Achievement in Accounting Education Award, AICPA, 2003.
6. Selected by Accounting Today as one of the 100 most influential people in the accounting profession. (successively 2001 and 2002)
7. Distinguished Service Award, California Society of CPA's, 1998-1999.
8. Robert Emmett Knox Education Achievement Award, designed to recognize outstanding activities during the recipient's lifetime, which have had a significant impact on future members of the profession, California Society of CPA, 1997.
9. Best Professor, University of Southern California School of Accounting Master of Accounting Graduate Students, 1993.
10. Best Professor by University of Southern California School of Accounting Student Liaison Board in the initial presentation of this award, 1990.
11. Outstanding Discussion Leader Award, AICPA, 1988.
12. Faculty Merit Award, made to an individual "... for outstanding contributions in curriculum and program development, teaching, research and professional service." Federation of Schools of Accountancy, 1988
13. Award for Instructor Excellence "... in recognition of a consistent record of excellence..." California Society of CPA, Education Division, 1988.
14. Faculty Excellence Award. This award is made annually to an accounting educator in California in recognition of "... exceptional achievements as a contemporary leader in accounting education", California Society of CPA, 1987.
15. Outstanding Service Award, School of Accounting, University of Southern California. The award is made annually by Beta Alpha Psi, the national accounting honorary fraternity, 1980.
16. Top 20 Professor, College of Business Administration, University of Southern California. The selection was based on student evaluations, 1980.
17. Outstanding Teaching Award as one of five professors at Texas Tech University in the Mortar Board program of recognizing excellence in teaching, 1978.

C. Honors

1. Fellowship

- a. Haskins & Sells Foundation Faculty Assistance Award, University of Oklahoma.
2. Honorary Societies (memberships)
 - a. Beta Alpha Psi
 - b. Beta Gamma Sigma
 - c. Phi Kappa Phi
 - d. MENSA
 - e. Outstanding Young Men of America

III. Research and Publication

A. Works Published

1. Books

Guide to Audits of Local Governments, III Vols. (Fort Worth, Texas: Practitioners Publishing Company (a subsidiary of Warren, Gorham, and Lamont, 2015) (with Doug Carmichael).

Intermediate Accounting (San Diego: Harcourt, Brace, Jovanovich, 1998 (supplemental printing, 5th edition) (with Jan R. Williams and Keith Stanga), pp. 1328.

“Local Government Accounting,” Management Policies in Local Government Finance (5th ed.) (Washington, D.C.: International City Management Association, 2004) pp. 207-224.

“Future Developments in Governmental Accounting and Reporting,” Handbook of Governmental Accounting and Finance (New York, New York: John Wiley & Sons, 1988) pp. 5.259-5.268.

The CPA Examination: A Complete Review, Vols. I and II (New York: Houghton, Mifflin & Co., 1986), 7th ed. (with J. Owen Cherrington, et al.).

“Cost Accounting and Analysis in State and Local Governments,” The Managerial and Cost Accountants Handbook (Homewood, Illinois: Dow Jones-Irwin, 1979), pp. 794-839 (with Robert J. Freeman and Harold Hensold, Jr.).

2. Journal Articles

“On the Desirability of Common Financial Reporting Standards for Business and Government,” Australian Accounting Review No. 56, Vol. 21, Issue 1, 2011, pp 107-110.

“The CPA Examination: A Vision Fulfilled,” Journal of Accountancy (New York: American Institute of Certified Public Accountants, July 2005), pp. 35-39 (with Paula Thomas, PhD).

“The Computerized CPA Exam: It’s a Whole New Ballgame,” California CPA (Redwood City, CA: California Society of Certified Public Accountants, September 2004, pp 13-17 (With Diane Babuin).

“Materiality Considerations,” Journal of Accountancy (New York: American Institute of Certified Public Accountants, November 2003), pp. 61-66 (with Kenneth R. Schermann and Ray Whittington, PhD).

“Pathways to Improving the Financial Reporting System,” Marshall School of Business Magazine (California: University of Southern California, Winter 2003), pp. 52-53.

“What Foreign Filers Need To Know,” Financial Executive (New Jersey: Financial Executives International, May, 2001), pp. 22-24 (with Jerry Arnold and Joseph W. Duggan).

“Pencils Down, Computers Up —The New CPA Exam,” Journal of Accountancy (New York: American Institute of Certified Public Accountants, March, 2001), pp. 57-60 (with Craig Mills)

“Disclosure of Measurement Uncertainties: Guide to a Financial Reporting Evolution in Progress,” Journal of Accountancy (New York: American Institute of Certified Public Accountants, December, 1998), pp. 99-105 (with Jerry L. Arnold).

“The SEC’s Audit Requirements for Companies Acquired and Equity Investees,” Research in Accounting Regulation (Greenwich, CN: JAI Press Inc., Vol II, 1997) pp. 145-157 (with Jerry Arnold).

“Changes in Accounting Education at the University of Southern California;” Accounting and Finance (Mayville, South Africa: Butterworth Publishers, Ltd., August 1997) pp. 11-14.

“Liability Considerations in Deciding to Serve Not-For-Profit Organizations,” Outlook (Redwood City, CA: California Society of CPAs, 1996) pp. 32.

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“How to Account for Securities, Malpractice Losses,” Hospital Financial Management (Chicago, Illinois: Hospital Financial Management Association, November 1978), pp. 12-18 (with Jan R. Williams and Thomas A. Ratcliffe).

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“Capital Improvements Regulation in Health Care Institutions,” Texas CPA (Dallas, Texas: Texas Society of CPAs, August 1978), pp. 9-12 (with Larry W. Anderson).

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“The Evaluation of Internal Control: A Suggested Approach,” Hospital Financial Management (Chicago, Illinois: Hospital Financial Management Association, July 1978), pp. 9-12.

“Reporting the Results of Operations,” The CPA Journal (New York, New York: New York State Society of Certified Public Accountants, April 1978), pp. 78-80 (with M. Herschel Mann and Thomas A. Ratcliffe).

“Hospital Budgeting: State of the Art,” Hospital and Health Services Administration (Chicago, Illinois: The American College of Hospital Administrators, Spring 1978), pp. 51-59.

“The Role of the Internal Auditor in Responding to Crises in Local Government,” The Internal Auditor (Altamonte Springs, Florida: The Institute of Internal Auditors, December 1977), pp. 71-81.

“Unasserted Claims: Accounting Measurement & Disclosure,” The CPA Journal (New York, New York: New York State Society of Certified Public Accountants, October 1977), pp. 83-85 (with Raymond J. Clay, Jr.).

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“A Practitioner’s Guide to Accounting for Leases,” Journal of Accountancy (New York, New York: The American Institute of Certified Public Accountants, August 1977), pp. 61-68 (with Raymond J. Clay, Jr.).

“Planning for the Audit: Logical Steps Toward Cost Containment,” Financial Executive (New York, New York, Financial Executives Institute, May 1977), pp. 46-50 (with Cindy H. Nance).

“Independence and the Governmental Auditor,” Governmental Finance (Chicago, Illinois: Municipal Finance Officers Association, February 1977), pp. 44-45.

“Revenue Recognition in Not-for-Profit Organizations,” The CPA Journal (New York, New York: New York State Society of Certified Public Accountants, November 1976), pp. 9-15.

“Flexible Budgeting and Standard Costing: Keys to Effective Cost Control,” Government Accountants Journal (Arlington, Virginia: Association of Government Accountants, Fall 1976), pp. 24-32 (with Robert W. Ingram).

“Working Capital Analysis: Limitations of a Valuable Tool,” Banking (New York, New York: American Bankers Association, September 1976), pp. 8-11 (with Jan R. Williams).

“A Guide to the Translation of Foreign Activities.” The National Public Accountant (Washington, D.C.: The National Society of Public Accountants, July 1976), pp. 8-11 (with Raymond J. Clay, Jr.).

“Administrators Favor Prospective Reimbursement,” Hospital Progress (St. Louis, Missouri: The Catholic Hospital Association, June 1976), pp. 71-74.

“Better Cost Control with Flexible Budgets and Variance Analysis,” Hospital Financial Management (Chicago, Illinois: Hospital Financial Management Association, January 1976), pp. 12-20 (with Jan R. Williams).

“Proper Procedures, Yes: Inflexible Rules, No,” Texas CPA (Dallas, Texas: Texas Society of CPAs, September 1975), p. 6.

3. Monographs

Improving Business Reporting - A Customer Focus (New York: AICPA, 1994) pp. 202 (Special Committee on Financial Reporting, 1994).

The Information Needs of Investors and Creditors (New York: AICPA, 1993) pp. 16 (Special Committee on Financial Reporting, 1992).

Reducing the Incidence of Fraudulent Financial Reporting: The Role of the Securities and Exchange Commission (Los Angeles, CA: SEC and Financial Reporting Institute, 1988), pp. 130 (with Karen Pincus and Theodore J. Mock).

Impact of Statement 52 on Decisions, Financial Reports, and Attitudes (Morristown, New Jersey: Financial Executives Research Foundation, 1986), pp. 156 (with Jerry Arnold).

The Nonbusiness Organization Reporting Entity: An Exploratory Study of Current Practice (New Millford, Cn. Philanthropy Monthly, 1986), pp. 100.

Cost Accounting in California Cities (Sacramento, California: League of California Cities, 1981), pp. 66 (with Rick Kermer).

A Study of Selected Concepts for Government Financial Accounting and Reporting (Chicago, Illinois: National Council on Governmental Accounting, 1980), pp. 69.

4. Case Study

Pacific Electronics (Boston, Massachusetts: Intercollegiate Case Clearing House, 1981) p. 19.

News and Commentary

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“New World of Financial Accounting Approaches for Firms,” *Orange County Business Journal* (Irvine, CA, p. 8), October 25, 2010.

“Bankruptcy Options for Small Businesses,” *Business News Daily*, (August 20, 2010).

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“Public Agencies Face Health Care-Cost Crises,” *Los Angeles Times* (Los Angeles, CA, pp. B-1) August 8, 2005.

“Reality Check: Making Governments Accountable,” *Marshall Magazine* (Los Angeles, CA: University of Southern California, pp. 20-24, Fall 2005)

“O.C. Must Defend its Use of Planning Fees,” *Los Angeles Times* (Los Angeles, CA: pp B-1, B-8) August 23, 2004. Also reported in: The Mercury News, (San Jose, CA) August 23, 2004.

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New World Order: As the PCAOB Takes Shape, the AICPA’s Role is Blurred, (CA.: California CPA, Jerry Ascierito) June 2003, pp.18-20.

“No Good Defense for Being Tardy,” *The Orange County Register* (Anaheim, California: pp. 1, 12.) April 6, 2003.

Enron: A Professional’s Guide to the Events, Ethical Issues, and Proposed Reforms, (N.Y.: CCH, Arthur L. Berkowitz) 2002, pp. 56 and 61.

“Questions Raised by One “Expert Witness” About Titan,” TheStreet.com , (Herb Greenberg) Dec. 12, 2000, www.thestreet.com/comment/herbonthestreet/1208501.html.

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“Passing the Buck,” *Outlook* (Palo Alto, CA: California Society of CPAs, Spring 1988) p. 56.

“Providing Guidance for the Professional’s Future Status,” *Outlook* (Palo Alto, CA: California Society of CPAs, Spring 1987) pp. 56-58.

“Pension Accounting Deficiencies,” *Los Angeles Business Journal* (Los Angeles: Scripps-Howard, August 20, 1984), p. 5.

5. Journal Articles and Books Reprinted and Reviewed

Intermediate Accounting, reviewed in Issues in Accounting Education (Sarasota, FL: American Accounting Association, Fall 1988), pp. 457-458.

Guide to Audits of Local Governments, reviewed in the Journal of Accountancy (New York: American Institute of CPAs, February 1987), pp. 118-120.

Guide to Audits of Local Governments, reviewed in Government Finance Review (Chicago, Ill.: Governmental Finance Officers Association, February 1987), p. 38.

Impact of Statement 52 on Decisions, Financial Reports, and Attitudes, reviewed in the Journal of Accountancy (New York: American Institute of CPAs, November 1986), pp. 186.

Intermediate Accounting, reviewed in The Accounting Review (Sarasota, Florida: American Accounting Association, April 1986), pp. 360-362.

“Flexible Budgeting and Standard Costing: Keys to Effective Cost Control,” reprinted from Government Accountants Journal (Fall 1976); reprinted in Government and Nonprofit Accounting, Leonard Berry and Gordon Harwood (ed.) (Homewood, Illinois: Richard D. Irwin, Inc.) pp. 228-241 (with Rob Ingram).

“Cost Accounting in Local Governments: An Idea Whose Time has Come,” reprinted from Management Focus (May-June 1982); reprinted in The Journal of Accountancy (New York: American Institute of CPAs, March 1983), pp. 103-104.

“Cost Accounting in Local Governments: An Idea Whose Time has Come,” reprinted from Management Focus (May-June 1982); reprinted in Management Review (New York: American Management Association, January 1983), pp. 29-30.

“Better Cost Control with Flexible Budgets and Variance Analysis,” reprinted from Hospital Financial Management; reprinted in Readings in Management Control in Nonprofit Organizations, Karasseu v. Ramarathan, and Larry Heystad (ed.) (New York: John Wiley & Sons, Inc.) 1982, pp. 355-363.

“Revenue Recognition in Not-for-Profit Organizations,” reprinted from The CPA Journal; reprinted in Accounting in the Public Sector: The Changing Environment (Salt Lake City, Utah: Brighton Publishing Company, 1979), pp. 27-34.

“Flexible Budgeting and Standard Costing: Keys to Effective Cost Control,” reprinted from The Government Accountants Journal; reprinted in Accounting in the Public Sector: The Changing Environment (Salt Lake City, Utah: Brighton Publishing Company, 1979), pp. 364-375 (with Rob Ingram).

“A Practitioner’s Guide to Accounting for Leases,” reprinted from The Journal of Accountancy; reprinted in Continuing Professional Education for Staff Accountants (Littleton, Colorado: CPE Institute, Inc., 1979).

“The Evaluation of Internal Control: A Suggested Approach,” reprinted from Hospital Financial Management; reprinted in Controlling the Hospitals Operations (Chicago, Illinois, Hospital Financial Management Association, November 1978).

“A Practitioner’s Guide to Accounting for Leases,” reprinted from the Journal of Accountancy; reprinted in FASB/APB Review (New York, New York: American Institute of CPAs), May 1978.

“A Practitioner’s Guide to Accounting for Leases,” reprinted from The Journal of Accountancy; reprinted in Accounting Theory: Text and Readings (New York, New York: Wiley/Hamilton Company, 1978), pp. 349-359.

“A Practitioner’s Guide to Accounting for Leases,” reprinted from The Journal of Accountancy; reprinted in Motor Freight Controller (Washington, D.C.: American Trucking Association, Inc., November 1977), pp. 10-16.

“A Practitioner’s Guide to Accounting for Leases,” reprinted from The Journal of Accountancy; reprinted in New Guides for the Professional Accountant (New York, New York: American Institute of CPAs, September 1977), pp. 5-12.

“Better Cost Control with Flexible Budgets and Variance Analysis,” reprinted from Hospital Financial Management; reprinted in Readings in Governmental and Nonprofit Accounting (Belmont, California: Wadsworth Publishing Company, 1977), pp. 320-335.

“Planning for the Audit: Logical Steps Toward Cost Containment,” reviewed from Financial Executive; reviewed in The Journal of Accountancy (New York, New York: American Institute of CPAs, December 1977), pp. 82.

“Revenue Recognition in Not-for-Profit Organizations,” reviewed from The CPA Journal; reviewed in Accounting Articles Digest (New York, New York: American Institute of CPAs, February 1977).

6. Reviews of Other Works

Robert W. Anthony, “Games Government Accountants Play,” Harvard Business Review (Cambridge, MA: Harvard University, September-October 1985); reviewed Harvard Business Review (Cambridge, MA: Harvard University, November-December 1985) pp. 211-218.

Tracy D. Connors, The Nonprofit Organization Handbook (New York: McGraw-Hill Book Company, Inc., 1980); reviewed in The Accounting Review (Sarasota, Florida: American Accounting Association, October 1980), pp. 693-695.

7. Selected Continuing Professional Education Courses Published

Accounting date and Auditing Update, 29th ed. (Dallas, Texas, Texas Society of Certified Public Accountants), April 2004 (with R. J. Clay, M. H. Mann). The course has been adopted by the California, Texas, Alabama, Colorado, Illinois, New Mexico, Montana, and Idaho Societies of CPAs as well as many firms and companies.

Analytical Procedures (New York: American Institute of Certified Public Accountants) 1997 (with Carolyn S. Holder).

Governmental Accounting and Auditing Update (New York: American Institute of Certified Public Accountants) 1996 (with Douglas R. Carmichael).

Audits of Local Government Units (New York: American Institute of Certified Public Accountants) 1996 (with Douglas R.Carmichael).

Developing and Presenting Effective Proposals for Engagements of Non-Public Entities (New York: American Institute of Certified Public Accountants) 1984 (with Ray Whittington).

Accounting and Auditing Standards Refresher, 7th ed. (Auburn, AL: CPE Associates) April 1991 (a two day continuing professional educational course, with Wayne Alderman).

Accounting for Leases, 11th ed. (Auburn, AL: CPE Associates), April 1987 (a one-day continuing professional education course, with Raymond J. Clay, Professor of Accounting, North Texas State University).

Audits of Hospitals (New York: American Institute of Certified Public Accountants), December 1977 (4-hour self-study continuing professional education course prepared at the request of the AICPA, with Larry Anderson, CPA, partner, Mason, Nickels, and Warner).

Local Government Financial Accounting and Reporting (Sacramento, California, California Society of Municipal Finance Officers), September 1981.

IV. Professional Service

A. Principal Professional Service & Consulting Activities

1. Professional Organizations

a. Offices Held

American Institute of CPAs

Member, Board of Directors, Member and Chair of Audit Committee, 1998-2000

Member, Council, 1986-1989, 1995-2000

Governmental Accounting Standards Board

Member, July 1, 2000-2010

Los Angeles Society of CPAs

Member, Board of Directors, 1984-86

Vice President, 1987-1989

American Accounting Association

Chairman, Public Sector Section, 1980-81

National Association of Accountants (Lubbock, Texas Chapter)

President, 1977-78

b. Committee Assignments

American Institute of CPAs

Chairman, Board of Examiners, 2003 -2006; member 1993-1996,
Chairman, Computerization Implementation Committee, 1997-2002
Accounting Career Development Executive Committee, 1996-1998
Special Committee on Financial Reporting, 1991-1994
Nominating Committee 1992-1993
Relations with the Judiciary Committee 1992-1994
Accounting Standards Executive Committee, 1987-1990
State and Local Government Committee, 1981-1985
(Served as Senior Technical Editor of the Industry Audit Guide,
published in 1986.)
Compliance Auditing Task Force, Auditing Standards Board, 1986-
1989

California Society of CPAs

Future of the Accounting Profession 2002-present
Chairman, Professional Conduct Committee 1987-89
Governmental Relations Committee 1991-1997

American Accounting Association

Assurance Services Task Force, 1995
Chair, Financial Reporting Research Committee, 1989-1991
Financial Accounting Standards Committee 1987-89
Federation of Schools of Accountancy
Financial Accounting Restructure Committee 1989

c. Memberships in Professional Organizations

American Accounting Association
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

2. Other Professional Service Activities

Member, Task Force on Bond Accountability, State of California, 2015.

Senior Advisor, Cornerstone Research, 2014 to Present.

John Wayne Cancer Institute, Member, Board of Directors; Chair, Audit Committee, 2004-2006.

John Wayne Foundation, Member, Board of Directors, Chair, Audit Committee, 2008.

Congressional Testimony (invited): Corporate Accounting Practices, before the Congressional Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises; Committee on Financial Services; May 1, 2002.

National Commission on Fraudulent Financial Reporting - commissioned to conduct research with Ted Mock and Karen Pincus.

Financial Executives Institute

Commissioned to conduct research with Jerry Arnold and prepare a monograph on the effects of foreign commerce on financial reports of U.S. companies. See Section III, B, 1.

Financial Accounting Standards Board

Commissioned to conduct research and prepare a research report concerning the appropriate conceptual reporting entity for nonbusiness organizations. Served on FASB Task Force on the Objectives of Financial Reporting by Nonbusiness Organizations, June 1980-1986.

League of California Cities

Commissioned to conduct research and prepare a monograph suggesting concepts, standards, and procedures for cost of services reporting by California cities.

National Council on Governmental Accounting

Commissioned to research and prepare a study suggesting a conceptual framework for financial accounting and reporting by governmental units.

Municipal Finance Officers Association

Appointed as a member of Special Review Committee for purposes of judging Comprehensive Annual Financial Reports in the Certificate of Conformance Program.

a. Editorial positions

Member, editorial board, *Research in Governmental and Non-Profit Accounting*, JAI Press, Inc.

Member, editorial review board, Issues in Accounting Education, American Accounting Association.

Member, editorial board, *Auditing: A Journal of Theory and Practice*

b. Educational Consulting

Developed and presented Continuing Professional Education courses for many CPA firms, industrial and manufacturing companies, and public sector organizations.

V. Institutional Service

A. Recent Institutional Service

1. University

Elected to the Faculty Senate

University Administration Subcommittee for Evaluation of Administrative Costs and Structures

Faculty Tenure and Appeals committee

2. School of Business Administration

Masters Advisory Committee

Faculty Advisory Council

3. School of Accounting

Chair of the Curriculum Committee

Director of the Master of Accounting Program

Member of Personnel committee

Member of Academic Standards committee

Member of Awards committee

Appendix B

Documents Considered by William W. Holder

<u>Document Title, Bates Numbers</u>	<u>Document Date</u>
Legal Pleadings	
First Amended Complaint for Declaratory Judgment and Injunctive Relief, El Centro de la Raza et al. v. State of Washington, NO. 16-2-18527-4 SEA	November 28, 2016
Plaintiffs' Motion for Summary Judgment El Centro de la Raza et al. v. State of Washington, NO. 16-2-18527-4 SEA	December 1, 2016
Declaration of Julie K. Salvi in Support of Plaintiffs' Motion for Summary Judgment	December 1, 2016
Declaration of Washington State Senator Jamie Pederson in Support of Plaintiffs' Motion for Summary Judgment	December 1, 2016
Declaration of Paul J. Lawrence in Support of Plaintiffs' Motion for Summary Judgment	December 1, 2016
Auditing/Accounting Standards	
National Council on Governmental Accounting, Statement No. 1, Governmental Accounting and Financial Reporting Principles	March 1979
Governmental Accounting Standards Board, Statement No. 1, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide	July 1984
Governmental Accounting Standards Board, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions	February 2009
Governmental Accounting Standards Board, Concept Statement No. 1, Objectives of Financial Reporting	May 1987
Governmental Accounting Standards Board, Concept Statement No. 4, Elements of Financial Statements	June 2007
State of Washington Documents	
State of Washington, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015	
State of Washington, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016	
State of Washington, Washington State Economic and Revenue Forecast, Volume XXXIX, No. 3, September 2016	
State of Washington, A Guide to the Washington State Budget Process	May 2016
State of Washington, Second Engrossed Substitute House Bill 6052, Chapter 4, Laws of 2015	June 29, 2015
State of Washington, Second Engrossed Substitute House Bill 2376, Chapter 36, Laws of 2016	March 29, 2016
State of Washington, Senate Bill Report, Engrossed Second Substitute Bill 6194	March 9, 2016
Revised Code of Washington 28A.710: Charter Schools	
Revised Cod of Washington 28B.76: Office of Student Financial Assistance	
Revised Code of Washington 43.79: State Funds	
Revised Code of Washington 67.70: State Lottery	

Miscellaneous

Supreme Court of Washington, League of Women Votes of Washington et al. v. State of Washington et al., 184 Wash.2d 393

Note: Even if not included in this list, I also relied upon any other documents cited in my declaration and appendices.

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



NOVEMBER 2016

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOVEMBER 2016



Report Prepared by

Office of Financial Management

David Schumacher, Director

Accounting Division

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Statewide Accounting

Heidi Algieri
Don Charlton, CPA
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Suzanne Coit, CPA
Cheryl Hainje
Laura Lopez
Sandy McGough
Steve Nielson
Julie Rupe
Sara Rupe
Michael Schaub
Anwar Wilson
Marina Yee

Additional assistance provided by

Office of the State Treasurer
Office of the State Actuary
Office of the State Auditor
State Investment Board
Department of Retirement Systems
Department of Transportation
State Health Care Authority
University of Washington
All state fiscal personnel

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.

Washington State's Economy and Revenue Outlook

Washington's economy has continued to outpace the nation's during this period of expansion. Although recent economic performance has somewhat narrowed that gap, Washington should outperform that of the nation in terms of job and income growth during the next biennium.

Washington's jobless rate moved above the national rate during the past two years after having mirrored the national figures for much of the recovery. Washington's rate has traditionally been higher than the national norm due to the state's outsized share of seasonal industries and its attractiveness to in-migrants searching for the Northwest experience. More recent figures show Washington's jobless rate remaining above the national average, likely the result of an increase in workforce participation. In fundamental ways, that reflects an increase in workers' confidence in finding gainful employment. By the end of the next biennium, Washington's unemployment rate is projected to fall to 5.2 percent, down from the current 5.7 percent.

Real personal income in Washington is expected to make above-average gains over the next biennium: 3.1 percent in fiscal year 2018 and 3.3 percent in fiscal year 2019, measurably higher than projections for the nation. On a per-capita basis, Washington's real personal income should reach \$49,790 at the end of the biennium, more than \$3,300 above the U.S. average.

These gains in Washington's real personal income will occur notwithstanding declines in aerospace employment, which is expected to fall by 3.5 percent in fiscal year 2018 and 2 percent in fiscal year 2019. Though this places a drag on overall nonfarm employment growth, Washington will still net a 1.5 percent increase in total payroll jobs in fiscal year 2018 and a 1.4 percent increase in fiscal year 2019, again measurably better than projections for the nation.

Construction activity in Washington is expected to increase at a healthy rate during the 2017-19 biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains should renew demand for single-family housing. The number of building permits should surpass 43,400 in fiscal year 2018 and 44,200 in fiscal year 2019. As a result, construction employment should jump by 3.4 percent and 3.6 percent, respectively. That should boost construction jobs to nearly 5.9 percent of total nonfarm employment, a bit above historic averages and reflective of a strong housing and commercial building market.

General Fund-State revenues are forecasted to grow at a 6.9 percent rate across the 2017-19 biennium compared to the 12.2 percent gain in the 2015-17 biennium. The expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Additional economic growth, continued job gains and sustained expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

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. The governmental fund financial statements can be found on pages 44-47 of 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, risk management, employee health insurance, and printing services. 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, the Higher Education Student Services Fund, and the Guaranteed Education Tuition Program 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. The proprietary fund financial statements can be found on pages 48-57 of 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 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. The fiduciary fund financial statements can be found on pages 58-59 of 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 four major component units, the Valley Medical Center, Northwest Hospital, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 70-71 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 60-65 of this report.

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. The notes to the financial statements can be found on pages 67-173 of this report.

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, 2016, the state's governmental funds reported combined ending fund balances of \$15.79 billion. Of this amount, \$2.54 billion or 16.1 percent is nonspendable, either due to its form or legal constraints, and \$4.61 billion or 29.2 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An

additional \$6.13 billion or 38.8 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 \$1.17 billion or 7.4 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. As noted in the table below, fund balance improved as a result of operations by \$564.8 million in fiscal year 2016, as compared to an \$854.3 million gain in fiscal year 2015. Increased revenues from taxes and targeted spending increases in K-12 education and social and health services combined with a concerted effort to hold the line on other spending were the key contributing factors. Assigned fund balance of \$1.16 billion is reported for fiscal year 2016 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			
<i>(in millions of dollars)</i>			
	Fiscal Year		Difference Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 18,188	\$ 17,025	\$ 1,163
Federal grants	12,196	12,053	143
Investment revenue (loss)	26	8	18
Other	728	698	30
Total	31,138	29,784	1,354
EXPENDITURES			
Human services	17,072	16,794	278
Education	11,403	10,177	1,226
Other	1,646	1,505	141
Total	30,121	28,476	1,645
Net transfers in (out)	(628)	(653)	25
Other financing sources	176	199	(23)
Net increase (decrease) in fund balance	\$ 565	\$ 854	\$ (289)

Statement of Activities

For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 1,657,671	\$ 852,839	\$ 230,138	\$ 15,696
Education - elementary and secondary (K-12)	10,152,823	20,811	1,052,529	-
Education - higher education	7,531,460	2,762,044	2,375,616	31,174
Human services	17,209,376	723,787	11,267,258	15,578
Adult corrections	983,373	7,321	2,294	-
Natural resources and recreation	1,263,727	467,587	189,347	68,936
Transportation	2,363,429	1,205,527	240,532	981,251
Interest on long-term debt	991,215	-	-	-
Total Governmental Activities	42,153,074	6,039,916	15,357,714	1,112,635
Business-Type Activities:				
Workers' compensation	3,238,325	2,556,687	8,819	-
Unemployment compensation	1,020,368	1,139,070	38,911	-
Higher education student services	2,494,528	2,395,313	21,533	-
Washington's lottery	534,538	697,723	-	-
Guaranteed education tuition program	(152,302)	(28,863)	-	-
Other	160,936	155,041	418	-
Total Business-Type Activities	7,296,393	6,914,971	69,681	-
Total Primary Government	\$ 49,449,467	\$ 12,954,887	\$ 15,427,395	\$ 1,112,635
COMPONENT UNITS				
Total Component Units	\$ 1,165,117	\$ 1,092,866	\$ 68,189	\$ -

General Revenues:

- Taxes, net of related credits:
- Sales and use
- Business and occupation
- Property
- Motor vehicle and fuel
- Excise
- Cigarette and tobacco
- Public utilities
- Insurance premium
- Other
- Interest and investment earnings

Total general revenues

- Excess (deficiency) of revenues over expenses before contributions to endowments and transfers
- Contributions to endowments
- Transfers
- Special item - Guaranteed education tuition program refunds and valuation change resulting from SB 5954
- Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

State of Washington

Balance Sheet
GOVERNMENTAL FUNDS

June 30, 2016
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and pooled investments	\$ 2,376,759	\$ 164,346	\$ 413,515	\$ 3,407,647	\$ 6,362,267
Investments	47,194	1,746,775	3,617,378	325,010	5,736,357
Taxes receivable (net of allowance)	3,676,344	8,537	-	198,618	3,883,499
Receivables (net of allowance)	198,327	1,111,947	102,444	841,060	2,253,778
Due from other funds	268,587	337,104	8	361,557	967,256
Due from other governments	1,039,195	264,023	-	2,562,093	3,865,311
Inventories and prepaids	15,104	26,362	-	48,082	89,548
Restricted cash and investments	37,815	15,448	-	184,591	237,854
Restricted receivables	56,580	5,633	-	3,570	65,783
Total Assets	7,715,905	3,680,175	4,133,345	7,932,228	23,461,653
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	-	-	-	1,196	1,196
Total Deferred Outflows of Resources	-	-	-	1,196	1,196
Total Assets and Deferred Outflows of Resources	\$ 7,715,905	\$ 3,680,175	\$ 4,133,345	\$ 7,933,424	\$ 23,462,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 980,499	\$ 72,463	\$ 37,453	\$ 387,245	\$ 1,477,660
Contracts payable	48,183	3,089	2,603	42,008	95,883
Accrued liabilities	249,024	394,640	683,985	157,969	1,485,618
Obligations under security lending agreements	110,095	719	211	78,575	189,600
Due to other funds	278,177	87,179	3,575	466,242	835,173
Due to other governments	1,041,557	23,672	-	195,240	1,260,469
Unearned revenue	98,907	231,824	-	70,395	401,126
Claims and judgments payable	49,085	-	-	82,774	131,859
Total Liabilities	2,855,527	813,586	727,827	1,480,448	5,877,388
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,630,111	6,298	15,354	139,579	1,791,342
Deferred inflows on hedging derivatives	-	-	-	-	-
Total Deferred Inflows of Resources	1,630,111	6,298	15,354	139,579	1,791,342
FUND BALANCES					
Nonspendable fund balance	45,578	10,542	2,235,581	247,066	2,538,767
Restricted fund balance	558,708	50,449	1,154,583	2,845,265	4,609,005
Committed fund balance	114,958	2,781,000	-	3,232,887	6,128,845
Assigned fund balance	1,155,952	18,300	-	-	1,174,252
Unassigned fund balance	1,355,071	-	-	(11,821)	1,343,250
Total Fund Balances	3,230,267	2,860,291	3,390,164	6,313,397	15,794,119
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,715,905	\$ 3,680,175	\$ 4,133,345	\$ 7,933,424	\$ 23,462,849

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, 2016

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	\$ 9,622,982	\$ -	\$ -	\$ 117,210	\$ 9,740,192
Business and occupation taxes	3,631,559	-	-	4,826	3,636,385
Property taxes	2,062,065	-	-	-	2,062,065
Excise taxes	933,247	39,155	-	230,743	1,203,145
Motor vehicle and fuel taxes	-	-	-	1,485,618	1,485,618
Other taxes	1,938,117	177,840	-	251,537	2,367,494
Licenses, permits, and fees	116,334	969	-	1,648,361	1,765,664
Other contracts and grants	241,734	940,751	-	254,331	1,436,816
Timber sales	3,993	-	21,107	123,567	148,667
Federal grants-in-aid	12,195,980	1,434,721	-	1,402,832	15,033,533
Charges for services	41,764	2,552,198	-	676,893	3,270,855
Investment income (loss)	25,662	52,082	11,268	79,232	168,244
Miscellaneous revenue	253,925	97,945	2,121	485,623	839,614
Contributions and donations	-	-	66,061	-	66,061
Unclaimed property	70,338	-	-	-	70,338
Total Revenues	31,137,700	5,295,661	100,557	6,760,773	43,294,691
EXPENDITURES					
Current:					
General government	802,422	1,350	149	484,956	1,288,877
Human services	17,071,814	-	-	964,774	18,036,588
Natural resources and recreation	534,497	-	1,250	678,610	1,214,357
Transportation	67,467	-	-	1,887,386	1,954,853
Education	11,403,114	5,081,840	1,681	435,070	16,921,705
Intergovernmental	119,340	-	-	372,829	492,169
Capital outlays	110,996	245,970	5,295	1,837,725	2,199,986
Debt service:					
Principal	8,339	22,489	-	1,008,841	1,039,669
Interest	3,262	18,334	-	977,154	998,750
Total Expenditures	30,121,251	5,369,983	8,375	8,647,345	44,146,954
Excess of Revenues Over (Under) Expenditures	1,016,449	(74,322)	92,182	(1,886,572)	(852,263)
OTHER FINANCING SOURCES (USES)					
Bonds issued	89,119	73,228	-	1,304,737	1,467,084
Refunding bonds issued	-	-	-	860,870	860,870
Payments to escrow agents for refunded bond debt	-	-	-	(1,040,394)	(1,040,394)
Issuance premiums	12,617	7,027	-	409,819	429,463
Other debt issued	74,636	27,223	-	67	101,926
Refunding COPs issued	-	31,095	-	1,625	32,720
Payment to escrow agents for refunded COP debt	-	(38,284)	-	(2,083)	(40,367)
Transfers in	577,490	763,475	26,873	2,949,351	4,317,189
Transfers out	(1,205,463)	(757,891)	(195,309)	(2,021,448)	(4,180,111)
Total Other Financing Sources (Uses)	(451,601)	105,873	(168,436)	2,462,544	1,948,380
Net Change in Fund Balances	564,848	31,551	(76,254)	575,972	1,096,117
Fund Balances - Beginning	2,665,419	2,828,740	3,466,418	5,737,425	14,698,002
Fund Balances - Ending	\$ 3,230,267	\$ 2,860,291	\$ 3,390,164	\$ 6,313,397	\$ 15,794,119

The notes to the financial statements are an integral part of this statement.

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 non-spendable are combined 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 assets are 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 (COLA) 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

Note 9

Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

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, 2016**, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	\$ -	\$ -	\$ 2,235,581	\$ 205,254	\$ 2,440,835
Consumable inventories	14,578	10,542	-	41,812	66,932
Student loans receivable - long-term	-	-	-	-	-
Other receivables - long-term	31,000	-	-	-	31,000
Total Nonspendable Fund Balance	\$ 45,578	\$ 10,542	\$ 2,235,581	\$ 247,066	\$ 2,538,767
Restricted for: *					
Higher education	\$ -	\$ 50,449	\$ 1,149,559	\$ 106,063	\$ 1,306,071
Education	-	-	4,642	28,190	32,832
Transportation	-	-	-	941,052	941,052
Other purposes	-	-	-	7,211	7,211
Human services	-	-	382	480,339	480,721
Wildlife and natural resources	8,555	-	-	993,780	1,002,335
Local grants and loans	-	-	-	245	245
School construction	572	-	-	100,315	100,887
State facilities	-	-	-	17,614	17,614
Budget stabilization	549,581	-	-	-	549,581
Debt service	-	-	-	61,160	61,160
Pollution remediation	-	-	-	70,897	70,897
Operations and maintenance	-	-	-	9,048	9,048
Repair and replacement	-	-	-	2,925	2,925
Revenue stabilization	-	-	-	22,069	22,069
Third tier debt service	-	-	-	3,172	3,172
Fourth tier debt service	-	-	-	1,185	1,185
Total Restricted Fund Balance	\$ 558,708	\$ 50,449	\$ 1,154,583	\$ 2,845,265	\$ 4,609,005
Committed for:					
Higher education	\$ 80,368	\$ 2,781,000	\$ -	\$ 59,337	\$ 2,920,705
Education	57	-	-	2,230	2,287
Transportation	-	-	-	253,662	253,662
Other purposes	9,747	-	-	277,765	287,512
Human services	16,604	-	-	785,360	801,964
Wildlife and natural resources	8,182	-	-	406,058	414,240
Local grants and loans	-	-	-	1,084,597	1,084,597
State facilities	-	-	-	7,696	7,696
Debt service	-	-	-	356,182	356,182
Total Committed Fund Balance	\$ 114,958	\$ 2,781,000	\$ -	\$ 3,232,887	\$ 6,128,845
Assigned for:					
Working capital	\$ 1,155,952	\$ 18,300	\$ -	\$ -	\$ 1,174,252
Total Assigned Fund Balance	\$ 1,155,952	\$ 18,300	\$ -	\$ -	\$ 1,174,252

*Net position restricted as a result of enabling legislation totaled \$9.4 million.

Nonmajor Enterprise Funds

Enterprise Funds account for an activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are as follows:

Lottery Fund

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund

The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities

The Other Activities Fund accounts for the 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.

NONMAJOR ENTERPRISE FUNDS
**Combining Statement of Revenues, Expenses,
 and Changes in Net Position**
 For the Fiscal Year Ended June 30, 2016
 (expressed in thousands)

	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES				
Sales	\$ -	\$ 91,008	\$ 186	\$ 91,194
Less: Cost of goods sold	-	(61,097)	(100)	(61,197)
Gross profit	-	29,911	86	29,997
Charges for services	2,788	1,751	32,048	36,587
Premiums and assessments	-	-	25,793	25,793
Lottery ticket proceeds	694,875	-	-	694,875
Miscellaneous revenue	63	31	4,467	4,561
Total Operating Revenues	697,726	31,693	62,394	791,813
OPERATING EXPENSES				
Salaries and wages	8,014	19,810	30,861	58,685
Employee benefits	2,836	9,651	11,429	23,916
Personal services	10,834	-	5,427	16,261
Goods and services	73,073	702	17,446	91,221
Travel	439	443	1,252	2,134
Lottery prize payments	432,901	-	-	432,901
Depreciation and amortization	134	787	778	1,699
Miscellaneous expenses	23	67	909	999
Total Operating Expenses	528,254	31,460	68,102	627,816
Operating Income (Loss)	169,472	233	(5,708)	163,997
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	10,249	-	22	10,271
Interest expense	(6,284)	(178)	-	(6,462)
Tax and license revenue	10	-	21,287	21,297
Other revenues (expenses)	(2)	(105)	281	174
Total Nonoperating Revenues (Expenses)	3,973	(283)	21,590	25,280
Income (Loss) Before Transfers	173,445	(50)	15,882	189,277
Transfers in	13,861	-	-	13,861
Transfers out	(189,385)	(9)	(17)	(189,411)
Net Transfers	(175,524)	(9)	(17)	(175,550)
Change in Net Position	(2,079)	(59)	15,865	13,727
Net Position - Beginning	3,500	20,608	3,935	28,043
Net Position - Ending	\$ 1,421	\$ 20,549	\$ 19,800	\$ 41,770

Washington State Economic and Revenue Forecast

September 2016
Volume XXXIX, No. 3





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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

September 2016
Volume XXXIX, No. 3

Growth is forecasted to dip to 3.2% in FY 2017 due to the relatively elevated level of FY 2016 activity. Growth is then expected to return to 4.4% in FY 2018 and 4.5% in FY 2019 before slowing through the end of the forecast period, reaching 3.9% growth in FY 2021 (see Table 3.4). Due to the lag between taxable activity and collections and the presence of tax deferrals, credits, refunds, and payments of past due taxes, the growth in actual collections differs from the growth in taxable activity. Growth in collections for FY 2016 was 8.8%. Growth is forecasted at 4.6% in FY 2017, 3.7% in FY 2018, 4.5% in FY 2019, 4.1% in FY 2020 and 4.0% in FY 2021.

Business and Occupation taxes are the second largest source of GF-S revenue

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.5% of GF-S revenue in FY 2016. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2016, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.5% and represented an estimated 45% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented an estimated 25% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented an estimated 20% of taxes due.

B&O tax growth forecast:

*FY17: 3.8%
FY18: 4.9%
FY19: 5.3%
FY20: 5.1%
FY21: 5.0%*

In FY 2013, B&O tax receipts grew by 5.8%. The expiration of a temporary increase in the B&O service tax rate on July 1, 2013, in addition to several large refunds, caused receipts to shrink by 1.8% in FY 2014. Growth in FY 2015, also affected by large refunds, was 4.1%. Growth in FY 2016 was 7.3%, due largely to legislative changes from the 2015 session. Growth is forecasted to decrease to 3.8% in FY 2017, 4.9% in FY 2018, 5.3% in FY 2019, 5.1% in FY 2020 and 5.0% in FY 2021.

State property taxes are the third largest source of GF-S revenue

The state property tax levy is the third largest source of GF-S revenue, accounting for 11.0% of total revenue in FY 2016. Although the tax goes into the GF-S, it is dedicated to the funding of basic education. By law, the total state tax levy on existing property can only increase by the lesser of 1% per year or the rate of inflation as measured by the year-over-year change in the U.S. Implicit Price Deflator in the second quarter of the year preceding the levy, unless a greater increase is approved by the voters. The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. Collections can also grow faster or slower than the rate of assessment growth due to the payment of past due taxes or nonpayment of current taxes.

State Treasurer

*Forecast
change by
biennium
(millions):*

15-17: \$3.2
17-19: -\$2.1
19-21: \$2.8

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2015-17 biennium has been increased \$3.2 million to \$16.1 million due to a forecasted increase in average fund balances. The forecast for the 2017-19 biennium has been decreased \$2.1 million to \$28.6 million due to lower forecasted interest rates. The forecast for the 2019-21 biennium was increased \$2.8 million to \$64.8 million due to a forecasted increase in average fund balances.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

15-17: -\$3.5
17-19: -\$23.9
19-21: -\$47.9

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's forecast of revenue for the 2015-17 biennium has been decreased \$3.5 million to \$1,050.7 million. The forecast for the 2017-19 biennium has been decreased \$23.9 million to \$1,130.9 million and the forecast for the 2019-21 biennium has been decreased \$47.9 million to \$1,208.5 million. The forecast decreases for these two biennia were due to increased use of tax credits to offset increases in required payments from insurers to the Washington Insurance Guaranty Association.

Liquor and Cannabis Board

*Forecast
change by
biennium
(millions):*

15-17: \$16.4
17-19: \$20.1
19-21: \$17.5

The Liquor and Cannabis Board (LCB) collects fees from distributors and retailers on sales of spirits and surtaxes on sales of beer and wine (sales and liter taxes on sprits are collected by the DOR). The LCB is also responsible for the collection of excise taxes and fees associated with the legalized sale and use of recreational and medicinal cannabis discussed previously. The forecast of LCB GF-S revenue for the 2015-17 biennium has been increased \$16.4 million to \$370.0 million. The forecast of revenue for the 2017-19 biennium has been increased \$20.1 million to \$483.1 million and the forecast for the 2019-21 biennium has been increased \$17.5 million to \$534.8 million.

Lottery Commission

While most of the proceeds from sales of lottery games go to the Washington Opportunity Pathways Account (OPA) distributions, are also made to programs such as Problem Gambling, Economic Development and the Stadium/Exhibition Center. Details of the forecast of the distribution of Lottery earnings can be found in

GF-S forecast change by biennium (millions):

15-17: $-\$1.9$
17-19: $\$0.5$
19-21: $-\$0.3$

Table 3.15 on a cash basis and Table 3.16 on a GAAP basis. When total profits from all Washington-only games plus the Powerball game exceed \$102 million per year, the amount above \$102 million gets transferred to the GF-S. The forecast of transfers into the GF-S for the 2015-17 biennium has been decreased \$1.9 million to \$27.0 million. Forecasted transfers for the 2017-19 biennium have been increased \$0.5 million to \$34.6 million and forecasted transfers to the GF-S for the 2019-21 biennium have been reduced \$0.3 million to \$43.8 million.

OPA forecast change by biennium (millions):

15-17: $-\$0.7$
17-19: $-\$0.3$
19-21: $\$1.5$

The OPA receives all profits (excluding statutory transfers) from Washington-only lottery games plus all profits from the Mega Millions game. The forecast of OPA revenue for the 2015-17 biennium has been decreased \$0.7 million to \$264.1 million. The forecast for the 2017-19 biennium has been decreased \$0.3 million to \$253.6 million and the forecast for the 2019-21 biennium has been increased \$1.5 million to \$253.4 million.

Administrative Office of the Courts

Forecast change by biennium (millions):

15-17: $-\$0.4$
17-19: $-\$6.5$
19-21: $-\$8.1$

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties and transfers this revenue to the GF-S on a monthly basis. The forecast of transfers to the GF-S for the 2015-17 biennium has been decreased \$0.4 million to \$158.2 million and the forecast for the 2017-19 biennium has been decreased \$6.5 million to \$154.7 million. The forecast of transfers for the 2019-21 biennium has been decreased \$8.1 million to \$160.2 million.

Track Record for the 2015-17 Biennium

The September 2016 forecast is \$814 million (2.2%) higher than it was when the initial biennial budget in 2015 was adopted

Table 3.10 summarizes the historical changes to the GF-S revenue forecast for the 2015-17 biennium. The September 2012 forecast was the initial forecast for the biennium. The September 2016 forecast for the biennium is \$2.25 billion (6.3%) higher than the initial forecast. Non-economic changes have increased the forecast by \$499 million (1.4%). Excluding non-economic changes, the current forecast is \$1.75 billion (4.9%) higher than the initial forecast. The June 2015 forecast, coupled with the \$193 million in legislative and budget-driven revenue changes passed in the 2015 special legislative sessions, was the basis for the initial budget for the 2015-17 biennium. The September 2016 forecast is \$814 million (2.2%) higher than that sum.

Table 3.15

Lottery transfers by fundSeptember 2016 Forecast
(cash basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2	0.0
2013	139.7	0.0	0.0	10.4	0.0	0.0	0.3	3.5	125.5	0.0	0.0
2011-13 Biennium	274.8	0.0	2.7	20.4	0.0	0.0	0.6	6.9	244.0	0.2	0.0
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7	113.7	0.0	10.1
2015	143.1	0.6	0.0	11.2	0.0	0.0	0.3	4.7	120.2	0.0	6.1
2013-15 Biennium	291.0	9.9	0.0	22.0	0.0	0.0	0.6	8.4	233.9	0.0	16.1
2016	171.6	17.1	0.0	11.7	0.0	0.0	0.3	3.3	139.1	0.0	0.0
2017	151.4	9.9	0.0	12.2	0.0	0.0	0.3	3.6	124.9	0.0	0.0
2015-17 Biennium	323.0	27.0	0.0	23.8	0.0	0.0	0.7	6.9	264.1	0.0	0.0
2018	159.6	15.5	0.0	12.6	0.0	0.0	0.3	3.6	127.0	0.0	0.0
2019	163.4	19.1	0.0	13.1	0.0	0.0	0.3	3.6	126.6	0.0	0.0
2017-19 Biennium	323.0	34.6	0.0	25.8	0.0	0.0	0.7	7.3	253.6	0.0	0.0
2020	165.9	21.0	0.0	13.7	0.0	0.0	0.3	3.6	126.7	0.0	0.0
2021	167.7	22.8	0.0	14.2	0.0	0.0	0.3	3.6	126.7	0.0	0.0
2019-21 Biennium	333.5	43.8	0.0	27.9	0.0	0.0	0.7	7.3	253.4	0.0	0.0

Table 3.16

Lottery transfers by fundSeptember 2016 Forecast
(GAAP basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1
2016	175.5	31.9	0.0	11.7	0.0	0.0	0.3	2.8	128.7	0.0	0.0
2017	156.1	13.7	0.0	12.2	0.0	0.0	0.3	3.6	125.9	0.0	0.0
2015-17 Biennium	331.7	45.6	0.0	23.8	0.0	0.0	0.7	6.5	254.6	0.0	0.0
2018	159.2	16.7	0.0	12.6	0.0	0.0	0.3	3.6	125.4	0.0	0.0
2019	162.2	19.1	0.0	13.1	0.0	0.0	0.3	3.6	125.5	0.0	0.0
2017-19 Biennium	321.4	35.8	0.0	25.8	0.0	0.0	0.7	7.3	250.9	0.0	0.0
2020	164.7	21.0	0.0	13.7	0.0	0.0	0.3	3.6	125.5	0.0	0.0
2021	167.2	22.8	0.0	14.2	0.0	0.0	0.3	3.6	125.7	0.0	0.0
2019-21 Biennium	331.9	43.8	0.0	27.9	0.0	0.0	0.7	7.3	251.2	0.0	0.0

* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administrat on etc.)

Source: Lottery Commission, ERFC

Table 3.17

General Fund-State, Education Legacy Trust Account and Opportunity Pathways Account

History and Forecast by Fiscal Year (Cash basis)

September 2016 - Millions of Dollars

	General Fund-State (GF-S) (current definition)		Education Legacy Trust Fund* (ELTA)		Total GF-S plus ELTA		WA Opportunity Pathways Account (OPA)		Total GF-S plus ELTA and OPA	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1997	\$9,449	5.8%			\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$10,057	6.4%			\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$10,414	3.6%			\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$11,068	6.3%			\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$11,560	4.4%			\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$11,632	0.6%			\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$11,721	0.8%			\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$12,358	5.4%			\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$13,036	5.5%			\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$14,318	9.8%	\$115		\$14,432	10.7%			\$14,432	10.7%
FY 2007	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%			\$15,734	9.0%
FY 2008	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%			\$15,872	0.9%
FY 2009	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%			\$14,382	-9.4%
FY 2010	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%			\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%	\$99		\$14,859	8.2%
FY 2012	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%	\$118	19.1%	\$15,107	1.7%
FY 2013	\$15,783	6.1%	\$101	-11.5%	\$15,884	6.0%	\$126	5.9%	\$16,009	6.0%
FY 2014	\$16,383	3.8%	\$197	95.3%	\$16,580	4.4%	\$114	-9.4%	\$16,694	4.3%
FY 2015	\$17,283	5.5%	\$207	5.0%	\$17,491	5.5%	\$120	5.7%	\$17,611	5.5%
Forecast:										
FY 2016	\$18,579	7.5%	\$215	3.6%	\$18,793	7.4%	\$139	15.7%	\$18,933	7.5%
FY 2017	\$19,186	3.3%	\$238	10.9%	\$19,425	3.4%	\$125	-10.2%	\$19,550	3.3%
FY 2018	\$19,781	3.1%	\$249	4.4%	\$20,029	3.1%	\$127	1.7%	\$20,156	3.1%
FY 2019	\$20,596	4.1%	\$273	9.8%	\$20,869	4.2%	\$127	-0.3%	\$20,996	4.2%
FY 2020	\$21,404	3.9%	\$178	-34.8%	\$21,582	3.4%	\$127	0.0%	\$21,708	3.4%
FY 2021	\$22,226	3.8%	\$182	2.5%	\$22,409	3.8%	\$127	0.0%	\$22,535	3.8%
Biennial Totals										
05-07 Biennium	\$29,785	17.3%	\$381	NA	\$30,166	18.8%	\$0	NA	\$30,166	18.8%
07-09 Biennium	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%	\$0	NA	\$30,254	0.3%
09-11 Biennium	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%	\$99	NA	\$28,586	-5.5%
11-13 Biennium	\$30,657	8.6%	\$215	-19.9%	\$30,872	8.4%	\$244	145.2%	\$31,116	8.8%
13-15 Biennium	\$33,666	9.8%	\$405	88.0%	\$34,071	10.4%	\$234	-4.1%	\$34,305	10.2%
15-17 Biennium	\$37,765	12.2%	\$453	11.9%	\$38,218	12.2%	\$264	12.9%	\$38,482	12.2%
17-19 Biennium	\$40,377	6.9%	\$522	15.1%	\$40,899	7.0%	\$254	-3.9%	\$41,152	6.9%
19-21 Biennium	\$43,630	8.1%	\$360	-30.9%	\$43,990	7.6%	\$253	-0.1%	\$44,244	7.5%

*Education legacy trust fund excluding FY 14 and FY 15 lottery fund transfers. Includes pension stabilization fund interest in FY 08 and FY 09.