



**MICHAEL J. MURPHY**  
State Treasurer

**State of Washington**  
**Office of the Treasurer**

**To: The Honorable Gary Locke, Governor**  
**The Honorable Members of the Washington State Legislature and**  
**The Citizens of Washington**

There is no question we are challenged today like never before in Washington's economic history. We in the treasury business recognize that balancing the books, while never simple, is more difficult than ever while the state's economy battles toward a seemingly distant but nonetheless inevitable recovery.

At the Office of the State Treasurer, we continued in 2002 to push forward with our core programs. The growth and success of these programs demonstrate the solid footing of the Washington State Treasury, even as we look at a murky economic future. Some highlights of 2002:

**Local Option Capital Asset Lending (LOCAL)** The LOCAL program, the only one of its kind in the nation, offers attractive financing rates and convenience to local governments looking to acquire equipment, land or buildings. In three years, 138 local governments in Washington have taken advantage of the program. Equipment financings have totaled \$28.6 million, while real estate transactions so far total \$5.7 million.

**School Bond Guarantee Program** We are continuing to spread the word about the School Bond Guarantee Program, which has grown steadily since its launch in early 2000. To date, 83 school districts have taken part in the program, and we've guaranteed more than \$1.656 billion in school bonds. The program authorizes the state to guarantee payment on school district general obligation debt, backed by the full faith and credit of the state. Districts can take advantage of the program's (and state's) AA+ bond rating when they take their bonds to market.

**Statewide Securities Custody Contract** In nearly three years of operation, we have shown the worth of our first-of-its-kind statewide securities custody contract for local governments and colleges and universities. Fifteen local entities now take advantage of the contract with the Bank of New York, with a total market value of \$565 million in custody.

**Guaranteed Education Tuition (GET)** In GET's four years of existence, Washington residents have learned the value of purchasing tomorrow's tuition today. As of the end of fiscal year 2002, there are 23,790 enrolled accounts representing 4.07 million units with a total value of \$179 million. GET remains a great protection against inflation for today's working families.

**Local Government Investment Pool (LGIP)** Our pool registered another strong year of growth as we continued to provide a solid investment vehicle for our local government customers. In fiscal year 2002, the LGIP earned \$139 million on an average portfolio of \$5.2 billion, serving 415 local entities in 510 accounts. The total portfolio at the end of the fiscal year was \$5.5 billion. Currently, 60 percent of LGIP transactions are conducted online through our Treasury Management System (TMS).

In each of these programs, the Office of the State Treasurer maintained strong working relationships with the Legislature, the executive branch, local government officials, industry professionals and citizens. We applaud your resilience in meeting the many challenges we all face. I'm also proud of my staff's commitment to delivering services to our citizens every workday of the year.

I look forward to continuing to work with all of you as we face the new challenges of the coming year. Thank you.

Sincerely,

MICHAEL J. MURPHY  
STATE TREASURER