



**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**

In 2003, the state of Washington continued to work in an economic environment that stubbornly resisted full recovery from its recent pattern of flat growth. Nonetheless, our state maintained its excellent reputation in the marketplace and the finance industry for our solid debt and financial policies and the breadth of our economy.

At the Office of the State Treasurer, we continued in 2003 to move ahead with programs serving the state, its local governments and its citizens. The continued growth of these programs in 2003, even in an uncertain economy, demonstrates the firm foundation of the Washington State Treasury. Some highlights of 2003:

**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 four years, 180 local governments in Washington have taken advantage of the program. Equipment financings have totaled \$41.0 million, while real estate transactions so far total \$7.9 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, 122 school districts have taken part in the program, and we've guaranteed more than \$2.6 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 four 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. Fourteen local entities now take advantage of the contract with the Bank of New York, with a total market value of \$430 million in custody.

**Guaranteed Education Tuition (GET)** In GET's five years of existence, Washington residents have learned the value of purchasing tomorrow's tuition today. As of the end of fiscal year 2003, there are 36,300 enrolled accounts representing 7.5 million units with a total value of \$365 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 2003, the LGIP earned \$74 million on an average portfolio of \$4.9 billion, serving 420 local entities in 565 accounts. The total portfolio at the end of the fiscal year was \$5.1 billion. Currently, 60 percent of LGIP transactions are conducted online through our Treasury Management System (TMS).

Throughout the year, the Office of the State Treasurer worked closely with the Legislature, the executive branch, local government officials, industry professionals and citizens. We respect your resourcefulness and innovation. I also salute the staff of the Office of the State Treasurer for working hard every day to deliver services to our citizens.

I look forward to working with all of you in 2004 as we face whatever new challenges come our way. Thank you.

Sincerely,

MICHAEL J. MURPHY  
STATE TREASURER