Local Government Investment Pool

Washington's Local Government Investment Pool (LGIP) was authorized by the 1986 Legislature at the request of the Treasurer's office. The LGIP and other local investment pools, currently operating in approximately half of the states, have been successful in providing cash managers in local governments and other political subdivisions an attractive investment option.

The program encourages small and large entities to pool their resources to earn a higher return on investments. The State Treasurer oversees the management of the pool in consultation with the LGIP Advisory Committee.

Cash managers previously limited either by relatively small amounts of available funds for investment or the complexities of today's investment environment can take advantage of the volume and expertise of the State Treasurer's investment program to maximize earnings. The LGIP:

- Provides flexibility for cash managers;
- Allows local governments to earn competitive rates of return on liquid funds;
- Maintains the safety of funds;
- Utilizes the economies of scale inherent in the securities market;
- Allows the option of direct deposit of revenue to individual pool accounts; and,
- Allows participants to open a separate account for bond proceeds to facilitate the arbitrage calculation process.

The rate of return earned by the funds is calculated on a daily basis and posted monthly to LGIP participants. Each participant is charged 3.5 basis points to fund administration of the program.

Administrative fees and overdraft charges in excess of LGIP's $522,364 operating costs were rebated to participants based on their average daily invested balance. The amount rebated to participants in Fiscal Year 2006 was $1,140,828, resulting in a net administrative charge to participants of 1.12 basis points (0.0112 percent).