JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

To: The Honorable Christine Gregoire, Governor
The Honorable Members of the Washington State Legislature and
The Citizens of Washington

I am pleased to report that despite continuing turbulence in the financial sector during Fiscal Year (FY) 2011, the Office of the State Treasurer rose to the challenges and remains in strong position. Notably my office successfully engaged the bond market to continue to provide the capital financing needs of the state.

Debt Management: The state took advantage of historically low interest rates during FY 2011 with two refunding sales. On a present value basis, savings over the life of the refunded bonds exceeds $125.6 million. Debt service savings in the 2009-11 biennium total $9 million and for the 2011-13 biennium debt service savings total $13.7 million.

Cash Management and Warrant Processing: Cash Management administered a cash flow of over $469 billion in FY 2011. Over 5.9 million electronic transfers totaling over $47.6 billion were processed through the automated clearinghouse (ACH). In FY 2011, nearly 2.9 million warrants representing over $6.5 billion were processed with 92 warrant forgery claims filed.

State Treasury and Treasurer's Trust: All accounts in the state treasury and in custody of the treasurer are pooled for investment purposes. The captive nature of these accounts allows the portfolio to be invested in longer maturities, where over time they will achieve a higher yield. The continued low targeted fed funds rate led to a decline in earnings from $71 to $41 million. The rate fell from 2.53% to 1.40% with an average balance $2.9 billion.

Local Government Investment Pool (LGIP) Our pool continues to be a sound investment option for local governments and institutions of higher education. The Fed kept the targeted funds rate at between 0.00% and 0.25% during the fiscal year in an effort to spur economic growth. Accordingly, the FY 2011 average yield of 0.23% was lower than the 0.36% average for FY 2010. The average balance in the LGIP portfolio during the fiscal year was $8.976 billion, the highest in the 25-year history of the pool. The combination of higher balances and lower yields resulted in earnings of $23 million, a decrease of $11 million over FY 2010. The LGIP serves 531 participants in 715 accounts. The total portfolio at the end of the fiscal year was $9.3 billion. In FY 2011, the LGIP had a net administrative charge of 0.806 basis points.

Other highlights of 2011:

School Bond Guarantee Program The School Bond Guarantee Program has grown steadily since its launch in early 2000. The program authorizes the state to guarantee payment on school district general obligation debt backed by the full faith and credit of the state. Since 2000, bonds totaling nearly $12.2 billion have been issued by 212 school districts through the School Bond Guarantee Program.

Guaranteed Education Tuition (GET) Since 1998, Washington residents have been saving for college with GET, our state's 529 pre-paid tuition plan. As of the end of FY 2011, 134,969 families have opened a GET account and 20,766 students have already used their GET accounts to attend colleges and universities nationwide. These accounts are valued at more than $1.6 billion.

Sincerely,

James L. McIntire
Washington State Treasurer