



**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) 2012, 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 2012 with two refunding sales. On a present value basis, savings over the life of the refunded bonds total \$206.8 million. Debt service savings in the 2011-13 biennium amount to \$25.7 million.

**Cash Management and Warrant Processing:** Cash Management administered a cash flow of over \$408.9 billion in FY 2012. Over 6.4 million electronic transfers totaling over \$49.3 billion were processed through the automated clearinghouse (ACH). In FY 2012, over 2.6 million warrants representing over \$5.8 billion were processed with 83 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 \$41 to \$34 million. The rate fell from 1.40% to 1.14% with an average balance \$3.1 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 2012 average yield of 0.14% was lower than the 0.23% average for FY 2011. The average balance in the LGIP portfolio during the fiscal year was \$9.163 billion.

The combination of higher balances and lower yields resulted in earnings of \$16 million, a decrease of \$7 million over FY 2011. The LGIP serves 531 participants in 743 accounts. The total portfolio at the end of the fiscal year was \$9.320 billion. In FY 2012, the LGIP had a net administrative charge of 0.687 basis points.

**Other highlights of 2012:**

**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 over \$13 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 2012, 144,414 families have opened a GET account and 25,485 students have already used their GET accounts to attend colleges and universities nationwide. These accounts are valued at more than \$1.8 billion.

Sincerely,

A handwritten signature in blue ink that reads "James L. McIntire".

James L. McIntire  
Washington State Treasurer