



**JAMES L. McINTIRE**  
State Treasurer

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

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**To: The Honorable Jay Inslee, Governor**  
**The Honorable Members of the Washington State Legislature and**  
**The Citizens of Washington**

It has been an honor to serve the people of the State of Washington for nearly twenty years, first as a state legislator and for these past eight years as State Treasurer. As I prepare to retire and turn over the reins to the incoming Treasurer in January I'm pleased to report that our state's fiscal health, having endured one of the worst recessions in history, is very sound. Through a variety of reforms and well-timed debt refinancing the Office of State Treasurer has managed to capture more than three billion dollars in savings while streamlining operations and improving both the quality and quantity of service to our customers.

I am pleased to report that in Fiscal Year (FY) 2016, the Office of the State Treasurer maintained its strong performance in core functions including investments, cash management and debt issuance to provide the safety, liquidity and capital financing needs for the state.

**Debt Management:** The state entered the financial market three times during fiscal year 2016 on behalf of the State Finance Committee. Issuance included \$1.26 billion various purpose general obligation and motor vehicle fuel tax general obligation bonds. An additional \$860.9 million general obligation refunding bonds were sold to refinance outstanding debt, providing debt service savings on a present value basis in excess of \$125.2 million. The state issued \$290.7 million through the Certificates of Participation (COP) Program for state agencies and on behalf of local governments.

**Cash Management and Warrant Processing:** Cash Management administered a cash flow of over \$232 billion in FY 2016. Over 8 million electronic transfers totaling over \$65.3 billion were processed through the automated clearinghouse (ACH). In FY 2016, over 1.8 million warrants representing over \$4 billion were processed with 80 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 December 2015 increase in the targeted fed funds rate resulted in an increase in earnings from \$32 to 46 million. The rate increased from 0.72% to 0.94% with an average balance of \$4.8 billion.

**Local Government Investment Pool (LGIP):** Our pool continues to be a sound investment option for local governments and institutions of higher education. In December 2015 the targeted funds rate, which had been between 0.00% and 0.25% since December 2008, was increased by 0.25%. The FY 2016 average yield of 0.31% was higher than the 0.12% average for FY 2015. The average balance in the LGIP portfolio during the fiscal year was \$10.5 billion.

The combination of higher balances and higher yields resulted in earnings of \$32.9 million, an increase of \$21 million from FY 2015. The LGIP serves 519 participants in 779 accounts. The total portfolio at the end of the fiscal year was \$12.8 billion. In FY 2016, the LGIP had an administrative charge of 0.9 basis points.

**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 approximately \$20.6 billion have been issued by 221 school districts through the School Bond Guarantee Program.

**Guaranteed Education Tuition (GET)** As of the end of FY 2016, over 150,000 families have opened GET accounts and over 43,000 students have used their GET accounts to attend colleges and universities nationwide. These accounts are valued at more than \$2.2 billion. In addition to the prepaid tuition plan, Washington State will begin offering a traditional 529 savings plan in the summer of 2017.

Sincerely,

  
James L. McIntire  
Washington State Treasurer