

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2012-13 STAFF FIGURE SETTING

DEPARTMENT OF THE TREASURY

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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**FY 2011-12 Staff Figure Setting
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

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**FY 2012-13 JOINT BUDGET COMMITTEE STAFF
FIGURE SETTING RECOMMENDATIONS
STATE TREASURER'S OFFICE**

JBC WORKING DOCUMENT - DECISION SUBJECT TO CHANGE
Staff Recommendation Does Not Represent Committee Decision

Summary of Staff Recommendations in this Packet					
Description	Total Funds	FTE	General Fund	General Fund Exempt	Cash Funds
FY 2011-12 Long Bill	\$386,470,593	31.5	\$2,611,071	\$25,321,079	\$358,538,443
S.B. 11-076 (PERA Contributions)	(45,974)	0.0	(29,150)	0	(16,824)
S.B. 11-221 (Adjust FPPA Old-hire contributions) /a	(20,000,000)	0.0	0	(20,000,000)	0
FY 2011-12 Supplemental	<u>1,500</u>	<u>0.0</u>	<u>0</u>	<u>0</u>	<u>1,500</u>
FY 2011-12 Final Appropriation	\$366,426,119	31.5	\$2,581,921	\$5,321,079	\$358,523,119
<u>Recommended Changes from FY 2011-12 Appropriation - Adjustments and Annualizations</u>					
Annualize S.B. 10-190 (Restores full funding for the Senior Citizen and Disabled Veteran Property Tax Exemption) /a	94,400,000	0.0	94,400,000	0	0
Estimated changes in HUTF transfers to counties and municipalities	5,971,638	0.0	0	0	5,971,638
Estimated changes in CoverColorado Funding	5,000,000	0.0	0	0	5,000,000
Annualize S.B. 11-221 (Increases funding to FPPA) /a	4,678,921	0.0	0	4,678,921	0
Annualize S.B. 11-076 (PERA contribution shift)	45,974	0.0	29,150	0	16,824
Annualize prior year budget actions	<u>1,033</u>	<u>0.0</u>	<u>800</u>	<u>0</u>	<u>233</u>
Total Adjustments and Annualizations	\$110,097,566	\$0	\$94,429,950	\$4,678,921	\$10,988,695
<u>Recommended Prioritized and Non-Prioritized Decision Items</u>					
Decision Item #1 - Increase in Operating Costs	10,000	0.0	0	0	10,000
Decision Item #2 - Investment Tools	2,470	0.0	2,470	0	0
Total compensation adjustments per DPA recommendations /b	(700)	0.0	9,584	0	(10,284)

Summary of Staff Recommendations in this Packet					
Description	Total Funds	FTE	General Fund	General Fund Exempt	Cash Funds
Risk management base adjustment per DPA recommendation /b	221	0.0	221	0	0
General government computer center base adjustment per OIT recommendations /b	(120,094)	0	(120,094)	0	0
Capitol Complex leased space base adjustment per DPA recommendation /b	<u>6,263</u>	<u>0.0</u>	<u>6,263</u>	<u>0</u>	<u>0</u>
Total recommended changes	(\$101,840)	0.0	(\$101,556)	\$0	(\$284)
Total change from FY 2011-12 appropriation	\$109,995,726	0.0	\$94,328,394	\$4,678,921	\$10,988,411

/a These amounts are not subject to the statutory limit on General Fund Appropriations

/b These are common policy based on recommendations from the appropriate executive agency (DPA, OIT, or Law). The JBC will consider these requests during figure setting for common policies.

SMART ACT COMMITTEE OF REFERENCE RECOMMENDATIONS

Pursuant to the SMART Act, the House and Senate Finance Committees have written a letter regarding recommendations they have for the Joint Budget Committee in setting the budget for the Department of the Treasury. Both committees advised the JBC in their respective letters that they did not make any recommendations regarding the Department of the Treasury. For reference, the letters are included in the Appendix of this document.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Department of the Treasury**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 JBC Staff Recommend.	Change Requests
DEPARTMENT OF THE TREASURY						
State Treasurer: Walker Stapleton						
(1) ADMINISTRATION						
Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash funds sources are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.						
Personal Services a/ FTE	1,242,508 <u>15.8</u>	1,208,310 <u>15.3</u>	1,264,300 <u>16.0</u>	1,293,450 <u>16.0</u>	Pending	
General Fund	245,182	232,500	311,344	340,494		
Cash Funds	997,326	975,810	952,956	952,956		
Health, Life, and Dental	<u>134,302</u>	<u>126,677</u>	<u>190,203</u>	<u>203,535</u>	Pending	Common Policy
General Fund	67,423	31,140	91,600	105,892		
Cash Funds - Unclaimed Property Trust Fund	66,879	95,537	98,603	97,643		
Short-term Disability	<u>2,360</u>	<u>2,652</u>	<u>3,225</u>	<u>3,296</u>	<u>3,225</u>	Common Policy
General Fund	1,596	1,608	1,998	2,053	1,998	
Cash Funds - Unclaimed Property Trust Fund	764	1,044	1,227	1,243	1,227	
S.B. 04-257 Amortization Equalization Disbursement	<u>31,855</u>	<u>37,711</u>	<u>50,638</u>	<u>59,596</u>	<u>59,209</u>	Common Policy
General Fund	20,588	21,560	31,226	37,124	36,737	
Cash Funds - Unclaimed Property Trust Fund	11,267	16,151	19,412	22,472	22,472	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>19,137</u>	<u>27,402</u>	<u>40,524</u>	<u>51,215</u>	<u>50,732</u>	Common Policy
General Fund	11,632	15,614	24,925	31,903	31,420	
Cash Funds - Unclaimed Property Trust Fund	7,505	11,788	15,599	19,312	19,312	

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Department of the Treasury**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 JBC Staff Recommend.	Change Requests
Workers' Compensation and Payment to Risk Management and Property Funds - GF	2,208	1,452	1,769	1,990	Pending	NP-1
Operating Expenses	<u>146,629</u>	<u>148,441</u>	<u>198,649</u>	<u>201,919</u>	<u>175,431</u>	
General Fund	140,420	148,441	198,649	201,919	175,431	DI-2
Cash Funds - Unclaimed Property Trust Fund	6,209	0	0	0	0	
Information Technology Asset Maintenance	<u>9,738</u>	<u>8,942</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	
General Fund	3,454	2,658	6,284	6,284	6,284	
Cash Funds - Unclaimed Property Trust Fund	6,284	6,284	6,284	6,284	6,284	
Legal Services for 575 Hours	<u>25,859</u>	<u>37,513</u>	<u>43,534</u>	<u>43,534</u>	<u>Pending</u>	
General Fund	4,187	16,419	21,767	21,767		
Cash Funds - Unclaimed Property Trust Fund	21,672	21,094	21,767	21,767		
Purchase of Services from Computer Center - GF	21,767	3,811	132,062	11,968	Pending	NP-2
Capitol Complex Leased Space - GF	54,954	53,949	55,297	61,560	Pending	NP-3
Charter Schools Facilities Financing Services - Cash Funds - Charter School Financing Administrative Cash Fund b/	2,803	3,009	5,000	5,000	5,000	
Discretionary Fund - GF	0	362	5,000	5,000	5,000	
						<i>Recommendation v. Appropriation</i>
Subtotal - (1) Administration	1,694,120	1,660,231	2,002,769	1,954,631	Pending	
FTE	<u>15.8</u>	<u>15.3</u>	<u>16.0</u>	<u>16.0</u>		
General Fund	573,411	529,514	881,921	827,954		
Cash Funds	1,120,709	1,130,717	1,120,848	1,126,677		

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Department of the Treasury**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 JBC Staff Recommend.	Change Requests
a/ Revenues received from the Treasury Transaction fees pursuant to Section 24-36-120, C.R.S. are applied against the Personal Services Line Item						
b/ This line is continuously appropriated from the Charter School Financing Administrative Cash Fund pursuant to Section 22-30.5-406 (1) (a), C.R.S.						
(2) UNCLAIMED PROPERTY PROGRAM						
This program collects unclaimed property and attempts to locate and return unclaimed properties to the legal owners or heirs. Funding source is the Unclaimed Property Trust Fund.						
Personal Service - CF - Unclaimed Property Trust Fund	708,306	676,887	764,966	781,790	Pending	
FTE	8.9	8.2	15.5	15.5		
Operating Expenses - CF - Unclaimed Property Trust Fund	108,845	121,414	123,369	131,869	131,869	DI-1
Promotion and Correspondence - CF - Unclaimed Property Trust Fund	140,130	199,246	200,000	200,000	200,000	
Leased Space - CF - Unclaimed Property Trust Fund	43,521	47,527	53,723	55,456	55,456	
Contract Auditor Services - CF - Unclaimed Property Trust Fund c/	530,633	296,789	800,000	800,000	800,000	
						<i>Recommendation v. Appropriation</i>
Subtotal - (2) Unclaimed Property Program - Cash Funds	1,531,435	1,341,863	1,942,058	1,969,115	Pending	N/A
FTE	8.9	8.2	15.5	15.5		-100.0%

c/ This line is continuously appropriated from the Unclaimed Property Trust Fund pursuant to Section 38-13-116.5 (2) (b), C.R.S.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Department of the Treasury**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 JBC Staff Recommend.	Change Requests
(3) SPECIAL PURPOSE						
The expenditures in this section are included in the Long Bill for informational purposes only - they reflect continuous appropriations required by constitutional provisions or State statutes. The line items: reimburse local governments for property taxes foregone due to the Senior Citizen and Disabled Veteran Property Tax Exemption; transfer money from the Unclaimed Property Trust Fund to CoverColorado; transfer General Fund to the Fire and Police Pension Association (FPPA) "old-hire" pension plans; and allocate a portion of the Highway Users Tax Fund (HUTF) to local governments. The General Fund appropriations are exempt from the statutory limits on General Fund appropriations.						
Senior Citizen and Disabled Veteran Property Tax Exemption - General Fund	1,333,604	1,574,580	1,700,000	95,900,000	96,100,000	
Fire and Police Pension Association "Old-hire" Pension Plans - General Fund Exempt	0	0	5,321,079	10,000,000	10,000,000	
CoverColorado - Cash Funds - Unclaimed Property Trust Fund	26,658,431	31,918,341	41,000,000	46,000,000	46,000,000	
Highway Users Tax Fund - County Payments - Cash Funds	182,937,213	185,391,721	186,797,920	189,977,570	189,977,570	
Highway Users Tax Fund - Municipality Payments - Cash Funds	125,023,791	127,305,258	127,662,293	130,454,281	130,454,281	
						<i>Recommendation v. Appropriation</i>
Subtotal - (3) Special Purpose	<u>335,953,039</u>	<u>346,189,900</u>	<u>362,481,292</u>	<u>472,331,851</u>	<u>472,531,851</u>	<u>30.4%</u>
General Fund	1,333,604	1,574,580	1,700,000	95,900,000	96,100,000	5552.9%
General Fund Exempt	0	0	5,321,079	10,000,000	10,000,000	87.9%
Cash Funds	334,619,435	344,615,320	355,460,213	366,431,851	366,431,851	3.1%

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Department of the Treasury**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 JBC Staff Recommend.	Change Requests
						<i>Recommendation v. Appropriation</i>
Department Total - Department of the Treasury	339,178,594	349,191,994	366,426,119	476,255,597	Pending	
FTE	<u>24.7</u>	<u>23.5</u>	<u>31.5</u>	<u>31.5</u>		
General Fund	1,907,015	2,104,094	2,581,921	96,727,954		
General Fund Exempt	0	0	5,321,079	10,000,000		
Cash Funds	337,271,579	347,087,900	358,523,119	369,527,643		

(1) ADMINISTRATION

The Administration Division is responsible for the operation and oversight of the Department of the Treasury. The Division performs three primary functions: accounting, cash management and investment services.

Accounting: The accounting section primarily performs daily reconciliation of all cash that flows in and out of the State's bank accounts. This section is responsible for allocating monthly interest earnings to various funds managed by the Treasury. This section manages disbursements and transfers, including: distributing Highway User Tax Fund (HUTF) moneys, tobacco settlement moneys, tobacco tax moneys, and federal mineral leasing funds; disbursing senior citizen and disabled veteran property tax exemption payments to local governments; transferring state contributions to the Fire and Police Pension Association; and transmitting moneys from the Unclaimed Property Trust Fund to CoverColorado. This section issues cash flow notes on behalf of school districts participating in the interest-free loan program, and it administers the school bond payment guarantee program, as well as the charter-school intercept and moral obligation credit enhancement program. Finally, this section is responsible for managing the Elderly Property Tax Deferral Program.

Cash Management: The cash management section manages the State's banking service agreements and bank accounts, coordinates receipts and disbursements, and works with the investment staff to ensure that sufficient funds are maintained in the State's bank accounts. One of the main goals of the cash management section is to maintain a sufficient amount of cash to allow the State to meet its financial obligations, while at the same time investing as much as possible in order to maximize interest and investment income.

Investment: The investment section manages large portfolios collectively worth approximately \$6 billion. The assets are managed under statutory guidelines with the objectives of reducing financial risk, maintaining desired portfolio liquidity, and maintaining high yields.

General Note Concerning Funding for the Administration Division

Pursuant to Section 24-36-120, C.R.S., the Administration Division is partially funded by a transaction fee imposed on cash transactions that the division conducts on behalf of the more than 100 interest-earning cash funds that are subject to the fee. Certain funds, such as the State Education Fund, the Highway Users Tax Fund, the Great Outdoors Colorado Trust Fund, the Public School Fund, the Old Age Pension Fund, the College Opportunity Fund, and any other fund for which the collection of these fees are prohibited by the State Constitution are exempt from the payment of these fees.

The resulting revenue covers about one-half of the Administration Division's expenses, which would otherwise be paid by the General Fund. The fee per transaction for FY 2012-13 will be established at the start of the fiscal year: it will equal the FY 2012-13 appropriation for the Administration Division divided by the total number of cash transactions conducted by the Treasury during the prior year (FY 2011-12), including transactions conducted on behalf of funds that don't pay the fee. The amount paid by an "eligible" fund during FY 2012-13 will then equal the per transaction fee

multiplied by the number of transactions conducted on behalf of the fund during the prior year (FY 2011-12).

This means that the General Fund pays approximately half of any increased Administration Division appropriation while the rest is paid by eligible cash funds. For example, if the General Assembly increases the Administration Division's Operating Expenses appropriation by \$1,000, the per transaction fee will increase by a fraction of a cent, raising approximately \$500 more from the eligible cash funds; the General Fund will cover the remainder. In order to simplify the budgeting process, staff reflects all of the transaction fee revenue in the Personal Services line, making it appear that other Administration Division expenditures are financed exclusively from the General Fund.

Personal Services

This line item provides funding for employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare taxes. The number of FTE in this Division has not changed since the 1970s. This line item also provides funding for certain professional and temporary services.

Administration Division Staffing Summary				
	FY 2010-11	FY 2011-12	FY 2012-13	
Classification	Actual	Approp.	Request	Recommend.
State Treasurer	1.0	1.0	1.0	1.0
Deputy Treasurer	1.0	1.0	1.0	1.0
Management	1.0	1.0	1.0	1.0
Investment Officers	3.0	3.0	3.0	3.0
Cash Manager	1.0	1.0	1.0	1.0
Accountants/Accounting Techs.	6.5	7.0	7.0	7.0
Administrative Assistants	0.9	1.0	1.0	1.0
Director of Initiatives	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	15.3	16.0	16.0	16.0

The Department requests an appropriation of \$1,293,450 and 16.0 FTE, including \$340,494 General Fund and \$952,956 cash funds from Treasury Transaction fees and the Unclaimed Property Trust Fund. The following table, provides detail on the Department's request for personal Services in the Administration Division

Administration Division FY 2012-13 Personal Services Calculation				
	Total	FTE	General Fund	Cash Funds
FY 2011-12 Long Bill Appropriation	\$1,293,450	16.0	\$340,494	\$952,956
S.B. 11-076 (Extends PERA contribution shift)	<u>(29,150)</u>	<u>0.0</u>	<u>(29,150)</u>	<u>0</u>
FY 2011-12 Appropriation	\$1,264,300	16.0	\$311,344	\$952,956
Annualization of S.B. 11-076 (PERA contribution shift)	<u>29,150</u>	<u>0.0</u>	<u>29,150</u>	<u>0</u>
Department's Base Request	\$1,293,450	16.0	\$340,494	\$952,956
Base Personal Services Adjustment	<u>Pending</u>			
Staff recommendation FY 2012-13	Pending			

Staff's recommendation on funding is pending Committee action on a personal services base adjustment. Staff recommends a continuation level of 16.0 FTE. Staff will reflect Committee common policy in the appropriation for this line item.

Health, Life, and Dental

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The Department is requesting an appropriation of \$203,535, comprised of \$105,892 General Fund and \$97,643 cash funds. The request incorporates common policy changes requested by the Department of Personnel and Administration, however, in making its calculations, the Department used the wrong health insurance contribution rates and staff will use the rates that the Committee adopts when calculating the recommended appropriation.

Staff recommendation on funding is pending Committee action on Health, Life, and Dental rates. Staff will reflect Committee common policy in the appropriation for this line item.

Short-term Disability

This line item provides funding for the employer's share of state employees short-term disability insurance premiums. The State is currently covering 100 percent of the premium costs. The Department requests an appropriation of \$3,296, comprised of \$2,053 General Fund and \$1,243 cash funds.

Short Term Disability			
	General Fund	Cash Funds	Total
Department Request	\$2,053	\$1,243	\$3,296
Staff Recommendation	\$1,998	\$1,227	\$3,225
Difference between Department Request and Staff Recommendation	(\$55)	(\$16)	(\$71)

Pursuant to Committee policy, staff recommends an appropriation of \$3,225 total funds, including \$1,998 General Fund and \$1,227 cash funds.

S.B. 04-257 Amortization Equalization Disbursement

Pursuant to S.B. 04-257, this line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA). The Department requests an appropriation of \$59,596, including \$37,124 General Fund and \$22,472 cash funds.

Utilizing the Committee's approved formula, staff calculated a recommended appropriation of \$59,209, including \$36,737 General Fund and \$22,472 cash funds. The difference between the staff recommendation and the Department's request is that the Department used a shortcut (which staff understands a number of departments use) that averages the different yearly rates for AED (and SAED), using the 2012 rate for six months and the 2013 rate for six months. Because of the General Fund pay-date shift, the actual calculation should use the 2012 rate for seven months and the 2013 rate for five months.

S.B. 04-257 Amortization Equalization Disbursement			
	General Fund	Cash Funds	Total
Department Request	\$37,124	\$22,472	\$59,596
Staff Recommendation	\$36,737	\$22,472	\$59,209
Difference between Department Request and Staff Recommendation	(\$387)	\$0	(\$387)

Staff recommends an appropriation of \$59,209 total funds, including \$36,737 General Fund and \$22,472 cash funds.

S.B. 06-235 Supplemental Amortization Equalization Disbursement

Pursuant to S.B. 06-235, this line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA). The Department requests an appropriation of \$51,215, including \$31,903 General Fund and \$19,312 cash funds.

S.B. 06-235 Supplemental Amortization Equalization Disbursement			
	General Fund	Cash Funds	Total
Department Request	\$31,903	\$19,312	\$51,215
Staff Recommendation	\$31,420	\$19,312	\$50,732
Difference between Department Request and Staff Recommendation	(\$483)	\$0	(\$483)

Staff recommends an appropriation of \$50,732 total funds, including \$31,240 General Fund and \$19,312 cash funds.

Salary Survey and Senior Executive Service

This line item provides funding to pay for annual increases for salary survey and senior executive service positions. The Treasury, in line with all other state departments, has not requested funding for this line item.

Pursuant to Committee policy, staff recommends appropriation of \$0 for this line item in FY 2012-13.

Performance-based Pay Awards

This line item provides funding to pay for performance-based pay increases related to employee performance and evaluations. The Treasury, in line with all other state departments, has not requested funding for this line item.

Pursuant to Committee policy, staff recommends appropriation of \$0 for this line item in FY 2012-13.

Workers' Compensation and Payment to Risk Management and Property Funds

This line item provides funding the Department's share of the statewide costs for both risk management and property programs, as well as workers' compensation. The Department requests an appropriation \$1,990 General Fund, which includes a Department of Personnel and Administration common policy adjustment increase of \$221.

Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Operating Expenses

This line item provides funding for supplies and materials for the Administration Division, as well as for certain services that are not covered by other line items such as capital outlay¹, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The most significant expenditure funded through this appropriation is for the Department's investing tools, which include leasing three Bloomberg terminals, BondEdge Fixed Income Software System, and a subscription to the Standard & Poor Credit Wire Service. The operating line also funds traditional operating expenses such as telephone, copying, postage, and office supplies. Also included are professional development and job enhancement activities, such as books, dues and membership to organizations and registration fees for seminars.

The Department requests an appropriation of \$201,919 General Fund, which includes annualization of a 2009 budget amendment for an increase in dues to the National Association of State Treasurers of \$800 and a Decision Item requesting an increase of \$2,470 for Investment Tools.

Decision Item # 2 - Investment Tools

Department Request: The Department requests an appropriation of \$2,470 General Fund for an increase in the costs of the investment tools that the Department's investment officers use on a daily basis to invest funds for the State. The three investment tools the Department uses are three Bloomberg Terminals (one for each investment officer), BondEdge software, and Standard & Poors CreditWire service.

Staff Recommendation: **Staff recommends that the Committee approve** an increase of \$2,470 General Fund, as requested by the Department.

Staff Analysis: The Department has three primary investment tools that it uses on a regular basis. There are three Bloomberg Terminals that can communicate with broker/dealers and bid competitively with multiple brokers simultaneously, which increases the opportunity to obtain the best price for the State. The BondEdge software computes risk measures on an option-adjusted basis that allows clients to clearly understand the risk/return profile of securities and portfolios. The Standard & Poors Credit Wire is a real-time credit rating and research information service. Taken together, these three investment tools provide the Department's investment officers with the information they need to make investment decisions for the State that maximize return on investment.

The Department's request is based upon the increased costs of the software and the amounts that can be allocated to debt issuances (currently 18%). The request is detailed in the following table:

¹ Capital outlay includes replacement of equipment, furniture, and other items that cost less than \$50,000, as well as building repair and remodeling costing less than \$15,000.

Decision Item #2 - Investment Tools Calculations				
	Bloomberg Terminals	BondEdge Software System	Standard & Poors CreditWire	Total
FY 2012-13 Annual Charges	\$70,920	\$43,452	\$12,400	\$126,772
Allocation to Debt Issuances	(12,766)	(7,821)	(2,232)	(22,819)
Current FY 2011-12 Budget	52,925	39,324	9,234	101,483
Additional FY 2012-13 Costs	<u>\$5,229</u>	<u>(\$3,693)</u>	<u>\$934</u>	<u>\$2,470</u>
Recommended Appropriation for Decision Item #1	\$58,154	\$35,631	\$10,168	\$103,953

After allocation of a portion of the costs of these three tools to debt issuances, the Department request amounts to \$2,470. Together, the investment tools cost the Department \$103,953, which is more than one-half of the Department's appropriation for this line. The increase is comprised of an increase of \$5,229 for the Bloomberg Terminals and \$934 for the S&P CreditWire Service, offset somewhat by a decrease of \$3,693 in the cost of the BondEdge Software System.

Options for reducing the costs of these investment tools rest with the Bloomberg Terminals. There is a terminal for each of the three investment officers and conceivably, one of them could be cut. Cutting one of the terminals, however, would not allow all three investment officers to have access to the markets at all times when the markets are open. These terminals also serve as the hosts for the other investment tools and the inability of all three investment officers to have access to their own terminals would likely result in lower investment earnings as investment decisions would not be implemented on as timely a basis, and the State may lose out on potential investments.

Staff does have an issue with the increased appropriation, however. During the last two fiscal years the Department has reverted \$51,498 and \$40,388. The main component of these reversions has been moneys not spent for cyber-security as detailed in the following table.

Administration Operating Expenses Expenditures and Reversions		
	FY 2009-10	FY 2010-11
Appropriation	\$210,083	\$194,710
Total Expenditures	<u>158,585</u>	<u>154,342</u>
Reversion	51,498	40,368
Components of Reversion		
Cyber-Security	20,545	26,488
Treasury publications	7,830	13,054
Web programming	5,000	0

Administration Operating Expenses Expenditures and Reversions		
Additional investment tool costs allocated to note/COP issues	9,440	0
Miscellaneous	8,683	826

Regarding the cyber-security appropriation, the Department utilizes the Governor's Office of Information Technology (OIT) for a Chief Information Security Officer, though OIT has never billed for that service. Staff has ascertained from OIT that it does not plan to bill for this service, but in any event, that those expenses should be billed to the Treasury through the regular billings to the Treasury. In this case that would be through the Purchase of Services from Computer Center line item. For this reason, Staff recommends that the appropriation be reduced by \$26,488, the amount that the Department budgets for information security. The net reduction from combining the two recommended actions is to reduce the line by \$24,018.

Staff recommends an appropriation of \$175,431 General Fund for Operating Expenses, including an increase of \$2,470 general fund for Decision Item #2 and a decrease of \$26,488 for cyber-security that the Governor's Office of Information is not billing to the Department.

Information Technology Asset Maintenance

This line item provides funding to replace information technology equipment consistent with standard replacement cycles (e.g., four years for desktop and laptop computers, and five years for printers). The Department requests a continuation appropriation of \$12,568 total funds, comprised of \$6,284 General Fund and \$6,284 cash funds from the Unclaimed Property Trust Fund.

Staff recommends a continuation appropriation of \$12,568 total funds, comprised of \$6,284 General Fund and \$6,284 cash funds from the Unclaimed Property Trust Fund.

Legal Services for 575 Hours

This line item provides funding for the Department to purchase legal services from the Department of Law. A Long Bill head note authorizes agencies to spend up to 10 percent of this appropriation for operating expenses, contractual services, and tuition for employee training. The Department requests a continuation appropriation of 575 hours of legal services with a corresponding appropriation of \$43,534 total funds, comprised of \$21,767 General Fund and \$21,767 cash funds.

Staff recommends providing sufficient funding to allow the Treasurer to purchase a continuation level of 575 hours of legal services. The rate for these services is pending the approval of Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Purchase of Services from Computer Center

This item provides funding for the Department's share of statewide computer services provided by the Governor's Office of Information Technology (OIT). The Department requests \$11,968 General Fund for computer services provided by the General Government Computer Center. This appropriation reflects a proposed decrease of \$120,094 in the billings from OIT.

Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Capitol Complex Leased Space

This line item is used to pay the Department of Personnel and Administration (DPA) for the costs of maintaining state buildings that are part of the capitol complex. The Department requests a \$61,560 General Fund appropriation for the space it occupies in the State Capitol Building. This request includes an increase of \$6,263 due to a base adjustment common policy from DPA.

Staff recommends approving funding for the square footage currently occupied by the Treasurer's Office, pending Committee approval of the common policy rate for Capitol Complex Leased Space. Staff will reflect Committee common policy in the appropriation for this line item.

Charter School Facilities Financing Services

The Treasurer has several duties associated with charter school facility financing:

- A charter school may request that the Treasurer make direct payments of principal and interest on bonds issued on behalf of the school for the purpose of enhancing the ability of the school to obtain favorable financing terms [Section 22-30.5-406, C.R.S.]. The Treasurer is authorized to withhold, from the amount paid to the chartering district² for the state share of the district's total program funding, the amount of any direct payments made on behalf of the charter school plus any administrative costs associated with making such payments. Any administrative costs withheld are deposited into the Charter School Financing Administrative Cash Fund. Moneys in this fund are continuously appropriated.
- Under the provisions of H.B. 03-1021, the Colorado Educational and Cultural Facilities Authority may issue bonds on behalf of qualified charter schools. Participating charter schools are required to annually pay \$1 per \$1,000 of the principal amount of the bonds outstanding to the State Treasurer for deposit in the State Charter School Interest Savings Account (within the State Charter School Debt Reserve). The Treasurer is authorized to charge participating schools a fee to defray related direct and indirect costs. Such moneys are also to be deposited in the State Charter School Interest Savings Account within the State Charter School Debt Reserve Fund [Section 22-30.5-407 (3), C.R.S.]. Moneys in the State

² Or, in the case of an institute charter school, the amount is withheld from the amount paid to the State Charter School Institute.

Charter School Debt Reserve Fund, including fees collected from schools, are continuously appropriated to the State Treasurer pursuant to Sections 22-30.5-407 (4) (a) and (a.5), C.R.S.

The Treasury's Administration Division performs several tasks to carry out the above duties. The Department requests a informational appropriation of \$5,000 cash funds from the Charter School Financing Administrative Cash Fund. **Staff recommends approval of the \$5,000 cash funds informational appropriation.**

Discretionary Fund

Pursuant to Section 24-9-105, C.R.S., five elected state officials receive annual appropriation for "expenditure in pursuance of official business as each elected official sees fit". Subject to annual appropriation by the General Assembly, the Treasurer is to receive \$5,000 from the General Fund annually for this purpose.

Staff recommends an appropriation of \$5,000 General Fund.

(2) UNCLAIMED PROPERTY PROGRAM

Background Information: The Department administers the State's unclaimed property program, as set forth in Article 13 of Title 38, C.R.S. (The "Unclaimed Property Act"). Under this program, the state takes possession of dormant or abandoned properties from a wide range of business and public institutions and tries to return the properties to their rightful owners. Generally, property is subject to the custody of the State as unclaimed property if the last-known address of the property owner (or the person entitled to the property) is in Colorado.

While the program originally targeted properties held by banks, savings and loans, and credit unions, it has been expanded to include properties held by insurance companies, public institutions, government agencies, public corporations or authorities, non-profit entities, hospitals, utilities, estates, trusts, or any other legal or commercial entity. Recovered items include uncashed checks and money orders, unclaimed stocks and securities, abandoned safety deposit box contents, dormant bank accounts, unclaimed utility deposits, unclaimed insurance benefits, unclaimed gift certificates, uncashed tax refunds, and intangible properties held by the courts, government agencies, and businesses.

Pursuant to Section 38-13-116.5, C.R.S., moneys collected pursuant to the Unclaimed Property Program and any associated interest earnings are deposited in the Unclaimed Property Trust Fund. Moneys in the Trust Fund that are not used or held in reserve to pay claims are used (subject to appropriation) to pay the direct and indirect costs of administering the program [see Section 38-13-116.5 (2), C.R.S.].

The following table provides an overview of the Unclaimed Property Trust Fund.

Description	Unclaimed Property Trust Fund Revenues, Claims and Transfers		
	FY 2009-10 Actual	FY 2010-11 Actual	Cumulative since FY 1987-88
Total Revenues /a	\$56,233,687	\$55,053,483	\$664,490,447
Total claims paid	24,320,845	22,060,809	212,411,384
<i>Claims paid as a percentage of total revenues</i>	43.3%	40.1%	32.0%
Funds used for administration of the Unclaimed Property program /b	1,711,274	1,559,229	15,449,861
<i>Administrative costs as a percentage of total revenues</i>	3.0%	2.8%	2.3%

Unclaimed Property Trust Fund Revenues, Claims and Transfers			
Description	FY 2009-10 Actual	FY 2010-11 Actual	Cumulative since FY 1987-88
<u>Transfers</u> /c			
General Fund /d	(43,275,348)	0	190,455,204
CoverColorado	26,658,431	31,918,341	162,416,575
Escheats	0	0	520,968
Industrial Banks	0	0	7,612,881
Other Transfers	<u>0</u>	<u>0</u>	<u>0</u>
Total Transfers	(\$16,616,917)	\$31,918,341	\$361,005,628
<i>Transfers as a percentage of total revenues</i>	-29.6%	58.0%	54.3%

- /a Excludes interest earnings as well as proceeds from the sale of securities that occurred in May 2005 pursuant to S.B. 04-256.
- /b Prior to FY 2002-03, the administration of the Unclaimed Property program was supported with moneys from the General Fund.
- /c Excludes the transfer of \$51,651,019 to the Unclaimed Property Tourism Promotion Trust Fund, that occurred in FY 2004-05 pursuant to S.B. 04-256 as well as sales of securities that have occurred since FY 2004-05.
- /d \$68.3 million was transferred to the General Fund on June 30, 2009 and returned to the Trust Fund on July 1, 2009.

In addition, pursuant to S.B. 04-256, the Treasury sells securities that have been held as unclaimed property for more than one year and deposits the proceeds in the Unclaimed Property Tourism Promotion Trust Fund. The principal in this fund may only be used to pay claims, but the interest earnings are to be credited to the Colorado Travel and Tourism Promotion Fund, which is administered in the Department of Agriculture.

Prior to FY 2001-02, the administration of the program was supported through General Fund appropriations. Pursuant to H.B. 02-1392, program expenses are now supported by the principal in the Unclaimed Property Trust Fund. Section 38-13-116.5 (2) (d), C.R.S., provides that any moneys appropriated to the Department of the Treasury for the expenses of administering the program shall count as fiscal year spending under Section 6 or Article X (TABOR) of the State Constitution. Prior to FY 2004-05, net cash generated by the Unclaimed Property program was counted as state revenue under the Taxpayer's Bill of Rights (TABOR). Pursuant to S.B. 04-211, beginning in FY 2004-05, net cash generated by the program is no longer counted as state revenue under TABOR rules unless it is appropriated to cover the direct and indirect costs of administering the Unclaimed Property Program or expended from the Colorado Travel and Tourism Promotion Fund.

Personal Services

This line item provides funding for employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare contributions. This line item also provides funding for certain professional and temporary services. The following table shows the distribution of FTE's within the Division.

Unclaimed Property Division Staffing Summary				
	FY 2010-11	FY 2011-12	FY 2012-13	
Classification	Actual	Approp.	Request	Recommend.
Program Director	1.0	1.0	1.0	1.0
Compliance Manager/LAN Administrator	1.0	1.0	1.0	1.0
Program Administration/Compliance	1.0	3.0	3.0	3.0
Program Administration/Claims processing	1.6	4.5	4.5	4.5
Program Administration/Safe deposit banks	0.8	1.0	1.0	1.0
Auditors	2.6	3.0	3.0	3.0
Clerical	<u>0.1</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	8.1	14.5	14.5	14.5

The Department requests an appropriation of \$781,790 cash funds from the Unclaimed Property Trust Fund and 15.5 FTE.

The following table, which uses the common policies approved by the Committee, summarizes staff's calculation of the FY 2012-13 personal services recommendation for the Unclaimed Property program.

Unclaimed Property Program FY 2012-13 Personal Services Calculation		
	FTE	Cash Funds
FY 2011-12 Long Bill appropriation	15.5	\$781,790
S.B. 11-076 (PERA contribution shift)		<u>(16,824)</u>
FY 2011-12 Appropriations	15.5	\$764,966
Annualization of S.B. 11-077 (PERA contribution shift)		16,824
Department's Base Request	15.5	\$781,790
Base Personal Services Adjustment		<u>Pending</u>
Staff recommendation FY 2012-13		Pending

Staff's recommendation is pending Committee action on a base personal services adjustment. Staff does recommend a continuation level of 15.5 FTE. Staff will reflect Committee common policy in the appropriation for this line item.

Operating Expenses (Decision Item #1)

This line item provides funding for supplies and materials, as well as capital outlay³, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The Department requests an appropriation of \$131,869 cash funds, including a decision item for an increase of \$10,000 cash funds for increased costs of software support.

Decision Item #1 - Unclaimed Property Database Software Support

Department Request: The Department requests an increase of \$10,000 cash funds for increasing costs associated with increased software costs and increasing inquiries into the unclaimed property program.

Staff Recommendation: Staff recommends approval of the Department's request for an increase of \$10,000 cash funds from the Unclaimed Property Trust Fund.

Staff Analysis: The database program that the Department uses to support the Unclaimed Property Program currently has 4.6 million records. The database is provided by Wagers & Associates, a company that specializes in IT support for unclaimed property programs around the country. Its system is currently installed in 36 states and incorporates the companies extensive knowledge of unclaimed property laws. The Department states that the company has been very responsive in incorporating the ideas of the states for enhancements to the system.

While the Department of the Treasury started out with the "Silver" level of customer support, a mid-level support product, due to price increases, the Department reduced it purchased level of support to the "Bronze" level. This is the minimum level of support consistent with maintaining the system's functionality. The Bronze level of support provides unlimited telephone access, scheduled updates, the ability to download pertinent software files from the internet as needed, additional hours of system customization, and new report generation.

Even with lowering the level of support from Silver to Bronze, the charge for software support has increased from \$26,602 in FY 2006-07 to \$40,875 in FY 2011-12. A further price increase can be expected in FY 2012-13. In past years, support price increases have been in the neighborhood of 5.0 percent.

The expense is incurred in the Operating Expenses line item, which includes postage, telecommunications services, printing, office supplies and other similar items. The expenditure history for this line is detailed in the following table.

³ Capital outlay includes replacement of equipment, furniture, and other items that cost less than \$50,000, as well as building repair and remodeling costing less than \$15,000.

Unclaimed Property Program Operating Expenses Line Item Detail					
Object Code	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Four Year Increase/ (Decrease)
Postage	\$33,323	\$41,453	\$44,838	\$46,661	\$13,338
Other ADP Billings - Purchase Services	29,531	37,969	37,500	39,188	9,657
Communications Services from Division of Telecom	5,146	12,283	12,394	10,850	5,704
Printing/Reproduction Services	4,270	3,379	6,903	6,314	2,044
Office Supplies	8,559	9,085	4,026	10,278	1,719
All other object codes	<u>10,522</u>	<u>11,983</u>	<u>3,187</u>	<u>8,123</u>	<u>(2,399)</u>
Total	\$91,351	\$116,152	\$108,848	\$121,414	\$30,063
Appropriation	<u>116,417</u>	<u>120,611</u>	<u>121,588</u>	<u>121,869</u>	
Reversion/(Overexpenditure)	\$25,066	\$4,459	\$12,740	\$455	

During this time frame, the Department has seen a large increase in the number of inquiries about unclaimed property, presumably from the increase in advertising for the program that the General Assembly authorized starting with FY 2007-08. This has resulted in increases in postage as well as other expenses in order to handle the increased inquiries. The number of inquiries handled by the Program has increased from approximately 64,000 in FY 2006-07 to approximately 138,000 in FY 2010-11.

The Department has been able to manage its appropriation with the increasing expenses as well as the increased software expense, but in FY 2010-11, it spent all but \$455 of its appropriation. The Department states that it can no longer manage the increases without this increase in its appropriation.

Staff believes that the request is justified and recommends approval of the Department's request.

Staff recommends an appropriation of \$131,869 cash funds, which includes an increase of \$10,000 cash funds for the approval of Decision Item #1.

Promotion and Correspondence

This line item was first included as a separate line item in the FY 2006-07 Long Bill. The Department's promotional efforts are designed to notify owners of lost and forgotten assets held in trust by the State. Pursuant to Section 38-13-111 (7), C.R.S., the Administrator of the Unclaimed Property program may spend up to 2.0 percent of the previous year's paid claims for the publication and necessary correspondence (e.g., sending a notice to the last known address of each person who appears to be entitled to property valued at \$50 or more). Based on claims paid in FY 2010-11 of

\$22,060,809, the appropriation could be set as high as \$441,216. The Department is requesting a continuation appropriation of \$200,000 cash funds.

Staff recommends a continuation appropriation of \$200,000 cash funds from the Unclaimed Property Trust Fund.

Leased Space

This line item provides funding for the lease of 3,466 square feet of space at 1580 Logan Street for the Unclaimed Property program. The Department requests an appropriation of \$55,456 cash funds from the Unclaimed Property Trust Fund, which includes an increase of \$1,733 for annualization of the Department's lease.

Staff recommends an appropriation of \$55,456 cash funds from the Unclaimed Property Trust Fund.

Contract Auditor Services

The Treasury Department contracts with auditing firms that examine the records of businesses located in other states in an effort to find unclaimed property belonging to Colorado citizens. The costs associated with these services are essentially paid on a contingency fee basis, with the State paying 12 percent of the value of any Colorado property identified. Pursuant to Section 38-13-116.5 (2) (b), C.R.S. provides that moneys in the Unclaimed Trust Fund are continuously appropriated to the State Treasurer for the payment of services to contract auditors. The Department has requested funding for this line of \$800,000. **Staff recommends reflecting an appropriation of \$800,000 cash funds** from the Unclaimed Property Trust Fund.

(3) SPECIAL PURPOSE

Senior Citizen and Disabled Veterans Property Tax Exemption

This line item provides funding to reimburse local governments for property taxes foregone as a result of the Senior Citizen and Disabled Veteran Property Tax Exemption. The original exemption, authorized in Section 3.5 of Article X of the State Constitution, approved by the voters in 2000, and implemented in Sections 39-3-201 through 208, C.R.S., grants a property tax exemption to qualifying senior citizens⁴ equal to 50 percent of the first \$200,000 of residential property value. The State Treasurer is required to reimburse local governments for the resulting lost property tax revenues. Such payments are made from the General Fund, but are not subject to the statutory limit on General Fund appropriations pursuant to Article X, Section 3.5 (3) of the State Constitution:

"...Payments made from the state general fund to compensate local government entities for property tax revenues lost as a result of the property tax exemption provided for in this section shall not be subject to any statutory limitation on general fund appropriations because the enactment of this section by the people of Colorado constitutes voter approval of a weakening of any such limitation."

Please note that similar to the state contribution for local fire and police pension plans, the costs associated with the exemption are treated outside the statutory limits on state spending and are not built into the funding base used to calculate the limit for subsequent fiscal years.

The original constitutional provision also specified that voter approval of the measure constituted a voter-approved revenue change, thereby allowing the TABOR limit for FY 2001-02 to increase by \$44.1 million and that such an amount should be included for the purpose of calculating subsequent fiscal year spending limits. However, by the time the State was required to pay the first year reimbursement in April 2003, state revenues no longer exceeded the TABOR limit. Thus, this measure never increased the State's TABOR limit.

In the 2006 session, the General Assembly adopted S.C.R. 06-001 that referred a measure to the voters to extend the homestead exemption to veterans who are 100 percent permanently disabled due to a service-connected disability. The measure was passed by the voters and the General Assembly adopted H.B. 07-1251 during the 2007 session to implement this constitutional change. The expansion of the homestead exemption took effect for property tax years commencing on or after January 1, 2007.

The Constitution authorizes the General Assembly to raise or lower the maximum amount of actual value that is exempt from taxation. For tax year 2002, the first year this exemption was made available, the exemption was limited to the first \$200,000 of actual residence value. The General

⁴ Qualifications include: (a) the residential property must be owner-occupied and used as the primary residence; (b) the owner-occupier must be sixty-five years of age or older as of the assessment date; and (c) the owner-occupier must have owned and occupied the property as his or her primary residence for the ten years immediately preceding the assessment date (or be the spouse or surviving spouse of an owner-occupier who previously qualified for a property tax exemption for the same residential real property).

Assembly lowered this amount from \$200,000 to \$0 for property tax years 2003, 2004, and 2005, thus eliminating the associated state expenditures for fiscal years 2003-04, 2004-05, and 2005-06. State payments resumed in FY 2006-07.

In the 2009 session, the General Assembly again reduced the exemption for senior citizens to \$0, thus reducing state payments for FY 2009-10 to \$1.3 million for the disabled veterans exemption from a total of \$85.6 million in FY 2008-09. In the 2010 session, the General Assembly extended the suspension of the senior citizen exemption for two additional years, reducing state payments in FY 2010-11 and FY 2012-13.

Estimated expenditures are included in the Department of the Treasury's budget for informational purposes and are based on the estimates contained in the Legislative Council's Staff Economic Forecasts. Based on the December 2011 forecast, staff recommends reflecting an appropriation of \$96.1 million for this line item. Staff also requests permission to update this amount, if necessary, based on the March 2011 forecast. The following table provides historical data related to expenditures for this line item.

Senior Citizen and Disabled Veteran Property Tax Exemption Expenditure History			
Fiscal Year	Number of Exemptions	Expenditures	Average Exemption
2002-03	123,326	\$61,491,764	\$499
2003-04	0	0	N/A
2004-05	0	0	N/A
2005-06	0	0	N/A
2006-07	146,836	74,231,509	506
2007-08	157,099	79,828,168	508
2008-09	165,596	85,586,694	517
2009-10 /a	3,122	1,333,604	427
2010-11 /a	3,500	1,670,802	477
2011-12 (appropriation) /a	N/A	1,700,000	N/A
2012-13 (Legislative Council Staff Projection)	N/A	96,100,000	N/A

/a Appropriations and expenditures for FYs 2009-10 through 2011-12 include only the exemption for disabled veterans

Based on Legislative Council Staff's December 2011 Economic Forecast, **Staff recommends an appropriation of \$96.1 million General Fund.** This informational appropriation is not subject to statutory limits on General Fund appropriations. Staff also requests permission to update, if

necessary, the appropriation based on the Legislative Council Staff's March 2012 Economic Forecast.

Fire and Police Pension Association - Old Hire Plans (Decision Item #1)

Background Information: Section 31-30.5-307, C.R.S., requires the State to pay part of the unfunded liability of retirement plans that cover police officers and fire fighters who were hired before April 1978. This was part of a plan approved by the General Assembly to address unfunded local pension plans for police officers and fire fighters. Senate Bill 79-79 included the following language in the legislative declaration:

"...The general assembly further declares that state moneys provided to municipalities and fire protections districts *do not constitute a continuing obligation of the state* to participate in the ongoing normal costs of pension plan benefits, except for state funding of death and disability benefits [as specified in this bill], but are provided in recognition that said local governments are currently burdened with financial obligations relating to pensions in excess of their present financial capacities. It is the intent of the general assembly in providing state moneys to assist said local governments that state participation decrease annually, terminating at the earliest possible date." (*emphasis provided*)

Since 1980, the State has contributed a total of \$515 million to 110 local police and fire agencies. The state contribution for old hire pension plans is determined by statute and consists of General Fund revenues related to insurance company premium taxes. The amount of the annual state contribution to the FPPA is reflected as a General Fund appropriation in the Treasury section of the annual Long Bill for informational purposes as required by Section 31-30.5-307 (3), C.R.S. For FY 2005-06 through FY 2007-08, this amount has been reflected as coming from the General Fund Exempt Account. Such moneys are transferred pursuant to Section 31-30.5-307 (2), C.R.S., and are not deemed to be an appropriation subject to the statutory limit on General Fund appropriations. The Treasury Department annually transfers the required amount from the General Fund to the FPPA, which distributes the moneys to eligible old-hire pension plans.⁵

Three times since 1980, the General Assembly has suspended the state contribution to the old-hire pension plans. The first year that the annual state contribution was eliminated was in 1987. In 1995, the state contribution was increased to cover the 1987 payment plus accrued interest. In addition, S.B. 95-228 increased the annual state contribution from \$18.7 million to \$25.3 million. The legislation provided that state support would end when the local old hire pension plans became fully funded or in FY 2010-11, whichever came first. Prior to the passage of S.B. 95-228, it was anticipated that state funding would continue through 2024. The earlier end-date was intended to coincide with the date at which all "old-hire" participants were expected to have retired.

⁵ In addition, Sections 31-30-1112 and 1134, C.R.S., require the State to help pay for *volunteer* firefighter pensions and an accidental death and disability plan covering volunteer firefighters statewide. Pursuant to S.B. 04-198, payments associated with volunteer firefighters are now administered by the Department of Local Affairs.

The General Assembly again suspended the state contribution for old-hire pension plans (through S.B. 03-263 for FY 2003-04 and FY 2004-05 and extended state payments by two years to FY 2011-12. The legislation required the state to pay the amount of unfunded liability that accrued as a result of the suspension of the state contribution. This additional payment was to have been made by April 30, 2012.

Due to the General Fund revenue shortfall that became apparent by the 2009 session, the General Assembly passed S.B. 09-227, which again suspended state contributions for FY 2008-09 through FY 2010-11. Senate Bill 11-221 reinstated the payments, but at a reduced rate for two years. The bill requires payments of \$5.3 million in FY 2011-12 and \$10.0 million in FY 2012-13. Full payments of \$25.3 million resume in FY 2013-14 and payments are extended until FY 2018-19 when a payment of \$49.4 million is due. The table below shows the current schedule of required State payments.

Fire and State Police Pension Association Payments for State-Assisted "Old-hire" Pension Plans	
Payment Date	Annual State Contribution Required by S.B. 11-221
April 2012	\$5,321,079
April 2013	10,000,000
April 2014	25,321,079
April 2015	25,321,079
April 2016	25,321,079
April 2017	25,321,079
April 2018	25,321,079
April 2019	\$49,443,768

Based on current law, **staff recommends an appropriation of 10,000,000 General Fund Exempt.**

CoverColorado

Background information: Colorado does not require insurance companies that offer individual health coverage to accept everyone who applies, regardless of their health status. The General Assembly created CoverColorado in 1990 to offer health insurance to those "high risk" individuals who are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Although CoverColorado premiums are currently set at 137 percent of the industry average⁶, premium revenues cover less than 50 percent of the program's costs. Thus, the program requires a subsidy from one or more other sources of revenue. These other sources of revenue include contributions from insurance companies provided in exchange for a 100 percent premium tax credit (a maximum

⁶ This is a reduction from recent years. Prior to January 1, 2007, premiums had been set at 150 percent of the industry average. The CoverColorado Board reduced premiums to attract additional participants.

of \$5.0 million per year), interest and principal from the Unclaimed Property Trust Fund, and insurance carrier assessments.

The following table provides a summary of CoverColorado costs, premiums, and other sources of revenue for the current year and for three additional years. Under provisions of the Federal Patient Protection and Affordable Care Act, in 2014, CoverColorado will no longer be needed as the insurance exchanges and subsidies provided for in the Patient Protection and Affordable Care Act will allow CoverColorado participants to obtain insurance through the exchanges.

CoverColorado Projected Claims, Administrative Expenses and Revenue						
Year	Claims and Administrative Costs	Special Fees	Transfers /a	Enrollee Premiums	Other /b	Net Change in Fund Balance
2010	\$113,701,970	\$28,794,604	\$29,142,431	\$53,830,295	\$8,707,439	\$6,772,799
2011	140,039,611	34,694,251	34,694,251	63,396,795	6,091,056	(1,163,258)
2012	186,234,836	46,558,709	46,558,709	87,032,532	6,084,886	0
2013	242,866,952	60,716,738	60,716,738	115,340,566	6,092,910	0

/a Transfers are from the Unclaimed Property Trust Fund.

/b Other includes interest, credits and grants, including premium tax credits granted to insurance providers.

CoverColorado projects that it will need a transfer of \$46,000,000 from the Unclaimed Property Trust Fund to cover its expenses for FY 2011-12. **Staff recommends an appropriation of \$46,000,000 cash funds** from the Unclaimed Property Trust Fund

General Information regarding Highway User Tax Fund Distributions

The Highway Users Tax Fund (HUTF) primarily consists of revenue from motor fuel excise taxes, motor vehicle license and registration fees, and driver's license fees. The HUTF also receives court fines and fees related to highway traffic infractions, passenger-mile taxes on vehicles, revenue from the sale of abandoned vehicles, and interest income. HUTF revenues are included in fiscal year spending for purposes of TABOR. Pursuant to Section 43-4-205, C.R.S., HUTF revenues are apportioned monthly by the State Treasurer among the Department of Transportation (the State Highway Fund), counties, and municipalities. The distributions occur after the "off-the-top" appropriations to the Department of Public Safety and the Department of Revenue for the purposes of highway supervision.

Highway Users Tax Fund - County Payments

This line item provides an estimate of the amount that will be distributed to counties from the HUTF. Counties are required to use such funds for the construction, engineering, reconstruction, maintenance, repair, equipment, improvement, and administration⁷ of the county highway systems

⁷ Pursuant to Section 43-4-207 (1), C.R.S., this amount is limited to 5.0 percent of each county's share of the available funds.

and any other public highways. The Treasurer's budget request included estimated distributions to counties totaling \$189,977,570 cash funds for FY 2011-12.

Staff recommends reflecting an appropriation \$189,977,570 cash funds in the Long Bill for informational purposes.

Highway Users Tax Fund - Municipality Payments

This line item provides an estimate of the amount that will be distributed to municipalities from the HUTF. Cities and incorporated towns are required to use such funds for the construction, engineering, reconstruction, maintenance, repair, equipment, improvement, and administration⁸ of the system of city/town streets or any other public highways located in the city/town. The Treasurer's budget request included estimated distributions to counties totaling \$130,454,281 cash funds for FY 2011-12.

Staff recommends reflecting an appropriation \$130,454,281 cash funds in the Long Bill for informational purposes.

⁸ Pursuant to Section 43-4-207 (1), C.R.S., this amount is limited to 5.0 percent of each county's share of the available funds.

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION FOR THE DEPARTMENT OF THE TREASURY

Staff recommends not including any footnotes for the Department of the Treasury. Staff recommends the following written requests for information be continued in the priority order shown and with the alterations shown below in struck type and small capitals.

1. **Department of the Treasury, Administration** -- The State Treasurer is requested to submit an annual report to the Joint Budget Committee concerning the performance of the state's investments. The report should include comparisons to relevant benchmarks and a detailed discussion of the benchmarks. This report should be submitted as a part of the State Treasurer's annual budget request.
 2. **Department of the Treasury, Special Purpose, CoverColorado** -- Pursuant to Section 10-8-530 (4) (c) (I), C.R.S., the Executive Director of CoverColorado is required to report annually to the Joint Budget Committee concerning actual program receipts and expenditures. In addition, the Department is requested to work with the Executive Director to provide reports to the Joint Budget Committee by October 1, ~~2011~~ 2012, and by February 1, ~~2012~~ 2013, that contain enrollment, revenue, expenditure, and assessment projections for the CoverColorado program for FY ~~2011-12~~ 2012-13 and FY ~~2011-12~~ 2012-13.
 3. **Department of the Treasury, Special Purpose, Fire and Police Pension Association - Old Hire Plans** -- The Fire and Police Pension Association is requested to submit an annual report of operations and investments for state-supported programs to the Joint Budget Committee by October 1, ~~2011~~ 2012. This report shall include the following: (1) the amount of additional funding the State is required to transfer to the Association pursuant to Section 31-30.5-307 (5) (b), C.R.S., assuming such payment is made on April 30, ~~2012~~ 2019, along with a description of the actuarial assumptions used to calculate this amount; (2) the current estimated unfunded liability for each local plan still eligible to receive state assistance; and (3) the projected remaining funded period for each local plan still eligible to receive state assistance.
- Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2011~~ 2012 information concerning state revenues and expenditures related to the issuance of tax and revenue anticipation notes for school districts pursuant to Section 29-15-112, C.R.S. The State Treasurer is requested to include actual data for FY ~~2010-11~~ 2011-12 as well as projected data for FY ~~2011-12~~ 2012-13. This report should be submitted as a part of the State Treasurer's annual budget request.
- Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2011~~ 2012, information concerning expenditures related to the Department's bank services contract(s) which are paid through deductions from interest earned on bank account balances. The State Treasurer is requested to include actual expenditures for FY ~~2010-11~~ 2011-12 as well as projected expenditures for

FY ~~2011-12~~ 2012-13. This report should be submitted as a part of the State Treasurer's annual budget request.

BUDGET BALANCING OPTIONS

Senior Citizen Homestead Property Tax Exemption

The Governor has requested legislation, as part of his balance budget, that would continue the suspension of the Senior Citizen Property Tax Exemption for at least FY 2012-13. According to the December 2011 Legislative Council Staff Economic Forecast, this legislation would decrease General Fund expenditures by \$94.4 million in FY 2012-13. The Governor proposes, either as part of this requested legislation or a separate bill, to increase the eligibility for participation in the Old Age Heat and Fuel and Property Tax Assistance Program (which is administered by the Department of Revenue. The proposal would adjust the eligibility standards for that program to levels that would increase the budget for that program by \$9.5 million. When the two program change requests are combined, General Fund appropriations would be reduced by \$84.9 million.

APPENDIX

Letters received from the House and Senate Finance Committee relating to those committees' recommendations for the FY 2012-13 Department of the Treasury budget.

State Representative
BRIAN DELGROSSO
Colorado State Capitol
200 East Colfax Avenue, Room 271
Denver, Colorado 80203
Capitol: 303-866-2947
E-mail: brian@briandelgrosso.com



Chairman:
Finance Committee
Member:
Appropriations Committee
Judiciary Committee

COLORADO
HOUSE OF REPRESENTATIVES
STATE CAPITOL
DENVER
80203

January 26, 2012

Representative Cheri Gerou
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Representative Gerou:

The SMART Act allows committees of reference to make formal recommendations to the Joint Budget Committee (JBC) regarding state departments' budgets, based on the committee's hearings with their assigned departments. The House Finance Committee met on January 25, 2012, to discuss recommendations to the JBC per the SMART Act. At its meeting, the committee did not make any recommendations regarding the Department of the Treasury.

Sincerely,

Representative Brian DelGrosso, Chair
House Finance Committee

c: Joint Budget Committee Members
House Finance Committee Members
Walker Stapleton, State Treasurer, Department of the Treasury
Brett Johnson, Deputy Treasurer, Department of the Treasury
John Ziegler, Staff Director, Joint Budget Committee
Ron Kirk, Legislative Council Staff



MIKE JOHNSTON
STATE SENATOR
SENATE DISTRICT 33

E-mail: mike@mikejohnston.org

Senate
State of Colorado
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STATE CAPITOL BUILDING
200 E. COLFAX AVENUE, ROOM 348
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January 25, 2012

Representative Cheri Gerou
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Representative Gerou:

The SMART Act allows committees of reference to make formal recommendations to the Joint Budget Committee (JBC) regarding state departments' budgets, based on the committee's hearings with their assigned departments. The Senate Finance Committee met on January 24, 2012, to discuss recommendations to the JBC per the SMART Act. At its meeting, the committee did not make any recommendations regarding the Department of the Treasury.

Sincerely,



Senator Michael Johnston, Chair
Senate Finance Committee

- c: Joint Budget Committee Members
Senate Finance Committee Members
Walker Stapleton, State Treasurer, Department of the Treasury
Brett Johnson, Deputy Treasurer, Department of the Treasury
John Ziegler, Staff Director, Joint Budget Committee
Rachel Kurtz-Phelan, Legislative Council Staff

