

# **COLORADO GENERAL ASSEMBLY**

## **JOINT BUDGET COMMITTEE**



**FY 2009-10 STAFF FIGURE SETTING:**

**STATE TREASURER'S OFFICE**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:  
David Meng, JBC Staff  
March 5, 2009**

**For Further Information Contact:**

**Joint Budget Committee Staff  
200 E. 14th Avenue, 3rd Floor  
Denver, Colorado 80203  
Telephone: (303) 866-2061  
Facsimile: (303) 866-2150  
(TDD 866-3472)**

**STATE TREASURER'S OFFICE**  
**JBC Staff Figure Setting FY 2009-10**

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

Table of Contents

<u>Section</u>	<u>Numbers</u>	<u>Pages</u>	<u>Narrative</u>
Summary of Staff Recommendations	N/A		6
Administration	1		8
Budget Amendment #1 - Reallocation of Administration Salaries from General Fund to Cash Funds from the Unclaimed Property Trust Fund	1		9
Budget Amendment #2 - Reduction in Operating Expenses	2		14
Budget Amendment #3 - Increase in Operating Expenses for Membership Dues to NAST	2		14
Recommendations for Footnotes and Requests for Information	N/A		18
Unclaimed Property Program	3		19
Decision Item #2 - Convert Temporary Employees to FTE	3		21
Decision Item #1 - Increase in Promotion and Correspondence Line to Allow for Additional Advertising	3		23
Special Purpose	4		25
Senior Citizen and Disabled Veterans Property Tax Exemption	4		25
Cover Colorado	4		26
Fire and Police Pension Association - Old Hire Plans	4		28
Highway Users Tax Fund - County and Municipality Payments	4		31
Recommendations for Footnotes and Requests for Information	N/A		32
Budget Balancing Options	N/A		33
Suspension of Senior Citizen and Disabled Veterans Property Tax Exemption	N/A		33
Transfer from the Unclaimed Property Trust Fund to the General Fund	N/A		34

**FY 2009-10 Joint Budget Committee Staff Figure Setting  
Department of the Treasury**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests
	Actual	Actual	Revised Appropriation	Department's Revised Request	JBC Recommendation	

<b>DEPARTMENT OF THE TREASURY</b> State Treasurer: Cary Kennedy
--

**(1) ADMINISTRATION**

Primary Functions: Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash fund sources are Treasury Transaction fees and the Unclaimed Property Trust Fund.

Personal Services	1,137,681	1,139,342	1,236,712	1,301,960	1,298,635	BA # 1
FTE	<u>14.8</u>	<u>14.2</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	
General Fund	414,243	381,854	239,919	479,003	475,678	
Cash Funds	723,438	757,488	996,793	822,957	822,957	
Health, Life and Dental	<u>89,148</u>	<u>100,399</u>	<u>141,369</u>	<u>147,675</u>	<u>Pending</u>	
General Fund	89,148	60,329	82,470	73,780		
Cash Funds	0	40,070	58,899	73,895		
Short-term Disability	<u>1,586</u>	<u>1,908</u>	<u>2,119</u>	<u>2,279</u>	<u>2,432</u>	
General Fund	1,586	1,243	1,417	1,525	1,645	
Cash Funds	0	665	702	754	787	
S.B. 04-257 Amortization Equalization						
Disbursement	<u>10,283</u>	<u>17,312</u>	<u>27,290</u>	<u>35,684</u>	<u>35,684</u>	
General Fund	10,283	11,177	17,071	24,115	24,115	
Cash Funds	0	6,135	10,219	11,569	11,569	
S.B. 06-235 Supplemental Amortization						
Equalization Disbursement	<u>0</u>	<u>3,377</u>	<u>12,262</u>	<u>22,280</u>	<u>22,280</u>	
General Fund	0	2,099	7,719	14,586	14,586	
Cash Funds	0	1,278	4,543	7,694	7,694	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests
	Actual	Actual	Revised Appropriation	Department's Revised Request	JBC Recommendation	
Salary Survey and Senior Executive Service	<u>41,641</u>	<u>49,868</u>	<u>71,339</u>	0	0	
General Fund	25,946	32,825	48,625	0	0	
Cash Funds	15,695	17,043	22,714	0	0	
Performance-based Pay Awards	0	<u>18,820</u>	<u>25,162</u>	0	0	
General Fund	0	11,839	16,623	0	0	
Cash Funds	0	6,981	8,539	0	0	
Workers Compensation and Payment to Risk Management and Property Funds - General Fund	50,011	1,885	2,377	1,725	Pending	
Operating Expenses - General Fund	107,724	109,888	240,794	225,985	225,985	BA #2, 3
Information Technology Asset Maintenance	<u>11,881</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	
General Fund	11,881	6,284	6,284	6,284	6,284	
Cash Funds	0	6,284	6,284	6,284	6,284	
Legal Services	<u>38,700</u>	<u>39,863</u>	<u>43,182</u>	<u>43,182</u>	Pending	
General Fund	38,700	19,154	21,591	21,591		
Cash Funds	0	20,709	21,591	21,591		
<i>Legal Services Hours</i>	<i>575.0</i>	<i>575.0</i>	<i>575.0</i>	<i>575.0</i>	<i>575.0</i>	
Purchase of Services from Computer Center - General Fund	8,645	4,937	21,767	21,767	Pending	
Capitol Complex Lease Space - GF	47,806	55,200	54,919	53,717	Pending	
Charter School Facilities Financing Services - Cash Funds b/	1,901	2,184	5,000	5,000	5,000	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests
	Actual	Actual	Revised Appropriation	Department's Revised Request	JBC Recommendation	
Discretionary Fund -General Fund	3,117	771	5,000	5,000	5,000	
<b>Subtotal - Administration</b>	1,550,124	1,558,322	1,901,860	1,878,822	1,607,584	
FTE	<u>14.8</u>	<u>14.2</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	
General Fund	809,090	699,485	766,576	929,078	753,293	
Cash Funds	741,034	858,837	1,135,284	949,744	854,291	

a/ For purposes of this document, revenues received from the Treasury Transactions fee (established in Section 24-36-120, C.R.S.) are applied against the Personal Services line item for all fiscal years

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**

Primary Functions: Locate and return unclaimed properties to their legal owners (or heirs)

Fund Source: Unclaimed Property Trust Fund

Personal Services - CF	649,313	643,368	713,086	783,498	781,790	DI # 2
FTE	8.8	9.0	13.5	15.5	15.5	
Operating Expenses - CF	51,086	91,351	120,611	124,226	124,226	
Promotion and Correspondence - CF	145,789	136,274	150,296	200,000	200,000	DI # 1
Leased Space - CF	55,477	46,103	48,524	50,257	50,257	
Contract Auditor Services - CF	800,000	800,000	800,000	800,000	800,000	
<b>Subtotal - Unclaimed Property Program - CF</b>	1,701,665	1,717,096	1,832,517	1,957,981	1,956,273	
FTE	8.8	9.0	13.5	15.5	15.5	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests
	Actual	Actual	Revised Appropriation	Department's Revised Request	JBC Recommendation	

**(3) SPECIAL PURPOSE**

Primary Functions: The expenditures in this section are included in the Long Bill for informational purposes only; they reflect continuous appropriation required by state statute or constitutional provision. These items: reimburse local governments for property taxes foregone due to the Senior Citizen and Disable Veterans Property Tax Exemption; transfer moneys from the Unclaimed Property Trust Fund to CoverColorado; transfer General Fund to the FPPA for "old hire" fire and police pension plans; and allocate a portion of Highway Users Tax The General Fund appropriations are exempt from the six percent statutory limit on General Fund Appropriations. The appropriation for the Senior Citizen and Disabled Veterans Property Tax Exemption, the transfer to CoverColorado, and the appropriation for FPPA "old hire" plans are not subject to the TABOR limitations.

Senior Citizen and Disabled Veterans Property Tax Exemption - GF	74,232,895	79,843,540	86,200,000	0	91,400,000	
CoverColorado	<u>9,307,646</u>	<u>19,426,146</u>	<u>48,772,043</u>	<u>27,000,000</u>	<u>27,000,000</u>	
Cash Funds	0	0	48,772,043	27,000,000	27,000,000	
Cash Funds Exempt	9,307,646	19,426,146	0	0	0	
Fire and Police Pension Association (FPPA) - Old Hire Plans - GFE	34,774,141	34,777,172	25,321,079	0	25,321,079	
Highway Users Tax Fund - County Payments	<u>159,769,834</u>	<u>163,703,451</u>	<u>157,500,000</u>	<u>160,432,102</u>	<u>159,528,684</u>	
Cash Funds	0	0	157,500,000	160,432,102	159,528,684	
Cash Funds Exempt	159,769,834	163,703,451	0	0	0	
Highway Users Tax Fund - Municipality Payments	<u>103,105,022</u>	<u>106,687,933</u>	<u>104,392,700</u>	<u>105,962,026</u>	<u>104,280,011</u>	
Cash Funds	0	0	104,392,700	105,962,026	104,280,011	
Cash Funds Exempt	103,105,022	106,687,933	0	0	0	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests
	Actual	Actual	Revised Appropriation	Department's Revised Request	JBC Recommendation	
<b>Subtotal - Special Purpose</b>	<u>381,189,538</u>	<u>404,438,242</u>	<u>422,185,822</u>	<u>293,394,128</u>	<u>407,529,774</u>	
General Fund	74,232,895	79,843,540	86,200,000	0	91,400,000	
General Fund Exempt	34,774,141	34,777,172	25,321,079	0	25,321,079	
Cash Funds	0	0	310,664,743	293,394,128	290,808,695	
Cash Funds Exempt	272,182,502	289,817,530	0	0	0	
						<i>Percent Change</i>
<b>TOTAL - Department of the Treasury</b>	384,441,327	407,713,660	425,920,199	297,230,931	411,093,632	-3.5%
FTE	<u>23.6</u>	<u>23.2</u>	<u>29.5</u>	<u>31.5</u>	<u>31.5</u>	6.8%
General Fund	75,041,985	80,543,025	86,966,576	929,078	92,153,293	6.0%
General Fund Exempt	34,774,141	34,777,172	25,321,079	0	25,321,079	0.0%
Cash Funds	2,442,699	2,575,933	313,632,544	296,301,853	293,619,259	-6.4%
Cash Funds Exempt	272,182,502	289,817,530	0	0	0	N/A

**STATE TREASURER'S OFFICE  
FIGURE SETTING FOR FY 2009-10**

JBC WORKING PAPERS - DECISIONS SUBJECT TO CHANGE

The following table provides a summary of the staff recommendations included in this packet.

Summary of Staff Recommendations in this Packet					
Description	Total Funds	General Fund	General Fund Exempt	Cash Funds	FTE
FY 2008-09 Long Bill	\$435,516,998	\$87,321,672	\$34,777,172	\$313,418,154	29.5
FY 2008-09 Supplemental	(9,506,799)	(265,096)	(9,456,093)	214,390	0.0
<b>FY 2008-09 Appropriation /a</b>	<b>426,010,199</b>	<b>87,056,576</b>	<b>25,321,079</b>	<b>313,632,544</b>	<b>29.5</b>
<b><i>Recommended Changes from FY 2008-09 Appropriation:</i></b>					
Anticipated decrease in the transfer to CoverColorado	(21,772,043)	0	0	(21,772,043)	0.0
Estimated change in Senior and Disabled Veteran Property Tax Exemption /b	5,200,000	5,200,000	0	0	0.0
Increase in HUTF distributions to cities and counties	1,915,995	0	0	1,915,995	0.0
Restore one-time supplemental funding	50,706	265,096	0	(214,390)	0.0
<u>Decision Item # 1 - Great Colorado Payback Promotion</u>	49,705	0	0	49,705	0.0
<u>Decision Item # 2 - Conversion of Temporary Positions to FTE</u>	25,508	0	0	25,508	2.0
<u>Budget Amendment # 1 - Partial refinance of 3 positions in Administration from General Fund to Unclaimed Property Trust Fund</u>	0	(65,468)	0	65,468	0.0
<u>Budget Amendment # 2 - Reductions in Operating Expenses</u>	(41,591)	(41,591)	0	0	0.0
<u>Budget Amendment # 3 - Fund Increased Dues to the National Association of State Treasurers</u>	800	800	0	0	0.0
Other Changes (Including Pending Items)	345,648	262,120	0	83,528	2.0



Summary of Staff Recommendations in this Packet					
Description	Total Funds	General Fund	General Fund Exempt	Cash Funds	FTE
<b>Total FY 2009-10</b>					
Staff Recommendation /a /c	\$411,093,631	\$92,153,293	\$25,321,079	293,619,259	31.5
\$ Change from prior year	(\$14,916,568)	\$5,096,717	\$0	(\$20,013,285)	2.0
% Change from prior year	(3.5)%	5.9%	0.0%	(6.4)%	6.8%
<b>Budget Balancing Options</b>					
<b>Proposed Reductions Requiring Legislation</b>					
Suspend Senior Citizen and Disabled Veterans Homestead Exemption /b					
	(\$91,400,000)	(\$91,400,000)	\$0	\$0	\$0
<b>Transfer of Cash Funds to enhance General Fund</b>					
Transfer from the Unclaimed Property Trust Fund to General Fund					
	\$50,000,000	\$50,000,000	\$0	\$0	\$0

/a S.B. 09-227 is pending in the House. If passed, it will eliminate the minimum payment of \$25.3 million General Fund Exempt required in current statute for both FY 2008-09 and FY 2009-10.

/b These amounts are not subject to the six percent limit on General Fund appropriations.

/c Excludes funding for pending line items.

## (1) ADMINISTRATION

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

*Accounting.* The accounting section primarily performs daily reconciliation of all cash that flows in and out of the State's bank accounts. This section also is responsible for allocating monthly interest earnings to various funds managed by the Department. This section manages a number of disbursements and transfers, including: distributing Highway Users Tax Fund (HUTF) moneys, tobacco settlement moneys, tobacco tax moneys, and federal mineral leasing funds; disbursing Senior Citizen and Disabled Veterans 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.* This 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 This Section:*** 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. The resulting revenue covers about half of the Administration Division's expenses, which would otherwise be paid by the General Fund. The fee per transaction for FY 2009-10, currently \$1.27, will be established at the start of the fiscal year; it will equal the FY 2009-10 appropriation for the Administration Division divided by the total number of cash transactions conducted by the Treasury during the prior year (FY 2008-09), including transactions conducted on behalf of funds that don't pay the fee. The amount paid by an "eligible" fund during FY 2009-10 will then equal the per transaction fee multiplied by the number of transactions conducted by the Treasury on behalf of that fund during the prior year (FY 2008-09).

This means that the General Fund pays approximately half of *any* increased Administration Division appropriation with the rest 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 inch up a fraction of a cent, raising approximately \$500 more from the eligible cash funds; the General Fund covers the remainder. However, 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. This line item also provides funding for certain professional and temporary services.

Staffing Summary	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Approp.	Request	Recomm.
State Treasurer	1.0	1.0	1.0	1.0
Deputy Treasurer	1.0	1.0	1.0	1.0
Controller / Management	1.0	1.0	1.0	1.0
Investment Officers	3.0	3.0	3.0	3.0
Cash Manager	0.3	1.0	1.0	1.0
Accountants/Accounting Techs.	6.7	7.0	7.0	7.0
Director of Initiatives	0.3	1.0	1.0	1.0
Administrative Assistants	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
<b>TOTAL</b>	14.3	16.0	16.0	16.0

The Department requests \$1,301,960 (\$479,003 General Fund and \$822,957 cash funds from Treasury transaction fees), an increase of \$59,446 over the FY 2007-08 appropriation. The Department's November request included one budget amendment affecting the Personal Services line.

**Budget amendment**

Reallocation of Salaries from General Fund to Unclaimed Property Trust Fund

The Department has requested a budget amendment to reallocate \$65,468 of the salaries of the Treasurer, Deputy Treasurer and an Accounting Technician from the General Fund to the Unclaimed Property Trust Fund. According to the Department, the Treasurer spends about one-third of her time overseeing the Unclaimed Property Program, and the Deputy Treasurer spend about 25 to 30 percent of his time overseeing the program. An Accounting Technician's time is allocated 50 percent to both divisions, but has been fully charged to the General Fund.

The salaries reallocated to the Unclaimed Property Program are identified in the table below:

<b>Budget Amendment - Reallocation of Salaries in Administration</b>			
<b>Position</b>	<b>Current Salary</b>		
	<b>(General Fund)</b>	<b>Proposed General Fund</b>	<b>Proposed Cash Funds *</b>
Treasurer (33%)	\$68,500	\$45,667	\$22,833
Deputy Treasurer (28%)	95,424	68,659	26,765
Accounting Technician II (50%)	<u>31,740</u>	<u>15,870</u>	<u>15,870</u>
Total	\$195,664	\$130,196	\$65,468

\* Cash funds source is the Unclaimed Property Trust Fund.

According to Section 38-13-116.5 (2), the General Assembly is authorized to appropriate from the principal of the Unclaimed Property Trust Fund the direct and indirect costs of administering the Unclaimed Property Program. Though the Department has never utilized the ability to fund the oversight functions of the Treasurer and Deputy Treasurer from the Unclaimed Property Trust Fund, staff believes that this is an appropriate use of the funds in the Trust Fund. **Staff recommends approval of the Departments Request** to refinance \$65,468 in General Fund to the Unclaimed Property Trust Fund.

**Staff recommends an appropriation of \$1,298,635 (consisting of \$475,678 General Fund and \$822,957 cash funds) and 16.0 FTE.** The reduction from the Department's request is due to Committee common policies for performance-based pay. Staff believes that a continued appropriation of 16.0 FTE is justified. There were 16.0 FTE in the Administration Division in 1974, the same number employed there today. During the intervening years, state government has grown substantially and the Division has been assigned a wide array of new tasks without an increase in FTE. The cash funds sources are the Treasury Transactions Fee and the Unclaimed Property Trust Fund.

The following table, which employs the common policy approved by the Committee, summarizes staff's calculation of the FY 2008-09 personal services recommendation for the Administration Division.

<b>Personal Services Calculation for the Administration Division</b>				
	<b>Total</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2007-08 Long Bill Appropriation for Personal Services</b>	\$1,236,712	\$479,223	\$757,489	16.0
Special Bills and Supplemental Appropriations for Personal Services	<u>0</u>	<u>(239,304)</u>	<u>239,304</u>	<u>0.0</u>
<b>FY 2007-08 Total Personal Services Appropriation</b>	<b>1,236,712</b>	<b>239,919</b>	<b>996,793</b>	<b>16.0</b>
FY 2007-08 Salary Survey	48,625	48,625	0	0.0
FY 2007-08 Performance-based Pay Awards*	13,298	13,298	0	0.0
Reverse one-time Supplemental "Funding Mix Change" and Reallocation of Salary	<u>0</u>	<u>239,304</u>	<u>(239,304)</u>	<u>0.0</u>
<b>Continuation-Level Appropriation for FY 2008-09</b>	1,298,635	541,146	757,489	16.0
Budget Amendment - Reallocation of Salary for Treasurer, Deputy Treasurer, and Account Technician	<u>0</u>	<u>(65,468)</u>	<u>65,468</u>	<u>0.0</u>
<b>Recommendation for FY 2008-09</b>	<b>1,298,635</b>	<b>475,678</b>	<b>822,957</b>	<b>16.0</b>
Cash Funds from Treasury Transactions fee			757,489	
Cash Funds from Unclaimed Property Trust Fund			65,468	

\* Per Committee policy, this calculation includes 80 percent of the appropriated FY 2007-08 Performance-based Pay Awards as part of the base for calculation of the FY 2008-09 personal services line.

### **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. Per the December 2008 statewide update for Health, Life and Dental, the Department is requesting \$147,675 (including \$73,780 General Fund and \$73,895 cash funds) for FY 2008-09, an increase of \$1,857 above the November request. This difference is due to changes in statewide life insurance that have not been presented to the Committee yet.

As with all other central appropriations in the Administration Division, the cash funds portion of this appropriation reflects the share of the Health, Life, and Dental expenditure that will be paid from the Unclaimed Property Trust Fund to support the Unclaimed Property Division. The request includes the funds required for Decision Item #2 in the Unclaimed Property Program.

**Staff's recommendation is pending Committee common policy for this item.** Staff will ultimately reflect Committee 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 premium costs. The Department requests \$2,279 (including \$1,525 General Fund and \$754 cash funds) for short-term disability

insurance for FY 2008-09. **Staff recommends a total appropriation of \$2,432 (including \$1,645 General Fund and \$787 cash funds from the Unclaimed Property Trust Fund), which corresponds to Committee common policy.**

#### **Amortization Equalization Disbursement.**

Pursuant to S.B. 04-257, this line item provides additional funding to increase the state contribution for Public Employees' Retirement Association (PERA). The Department requests a total of \$35,648 (including \$23,337 General Fund and \$12,311 cash funds). The request includes \$521 cash funds for Decision Item # 2, Conversion of Temporary Employees to FTE (discussed in the Unclaimed Property Program - Personal Services section). Pursuant to Committee policy (1.8 percent of employees' base salaries for CY 2009 and 2.2 percent of employees' base salaries for CY 2010), staff calculated a total appropriation of \$31,024 (including \$20,310 General Fund and \$10,714 cash funds from the Unclaimed Property Trust Fund).

Staff recommends, however, that the Committee consider funding the Department's request. The Treasury Department has only 29.5 FTE. The Committee's approved method of calculating this line goes back to the Department's FY 2007-08 actuals, when the Department had 1.7 vacant positions, more than 10 percent of the Administration Personal Services line. In addition, in FY 2008-09, the Department's FTE in the Unclaimed Property Program increased from 9.0 to 13.5. Because of its small size, adherence to the JBC's common policy for this agency, could leave the Department without enough moneys to fund this line item, and it would be difficult for the Department to manage the other POTS lines to make up the difference. Therefore, **staff recommends Committee approval of the Department's request for a total of \$35,648 (including \$23,337 General Fund and \$12,311 cash funds from the Unclaimed Property Trust Fund.**

#### **Supplemental Amortization Equalization Disbursement.**

Pursuant to S.B. 06-235, this line item provides additional funding to increase the state contribution for Public Employees' Retirement Association (PERA). The Department requests a total of \$22,280 (including \$14,586 General Fund and \$7,694 cash funds). The request includes \$326 cash funds for Decision Item # 2, Conversion of Temporary Employees to FTE (discussed in the Unclaimed Property Program - Personal Services section). Pursuant to Committee policy (1.0 percent of employees' base salaries for CY 2009 and 1.5 percent of employees' base salaries in CY 2010), staff calculated a total appropriation of \$19,170 (including \$12,550 General Fund and \$6,620 cash funds from the Unclaimed Property Trust Fund).

Staff recommends, however, that the Committee consider funding the Department's request. The Treasury Department has only 29.5 FTE. The Committee's approved method of calculating this line goes back to the Department's FY 2007-08 actuals, when the Department had 1.7 vacant positions, more than 10 percent of the Administration Personal Services line. In addition, in FY 2008-09, the Department's FTE in the Unclaimed Property Program increased from 9.0 to 13.5. Because of its small size, adherence to the JBC's common policy for this agency, could leave the Department

without enough moneys to fund this line item, and it would be difficult for the Department to manage the other POTS lines to make up the difference. Therefore, **staff recommends Committee approval of the Department's request for a total of \$22,280 (including \$14,586 General Fund and \$7,694 cash funds from the Unclaimed Property Trust Fund).**

#### **Salary Survey and Senior Executive Service.**

The Department uses this line item to pay for annual increases for salary survey and senior executive service positions. The Department requests has withdrawn its request for an appropriation for this line. **Pursuant to Committee Policy, staff recommends appropriating \$0 for this line item in FY 2009-10.**

#### **Performance-Based Pay Awards.**

This line item funds awards relating to employee performance and evaluations. The Department has not requested an appropriation for this line item. **Pursuant to Committee Policy, staff recommends appropriating \$0 for this line item in FY 2009-10.**

#### **Workers' Compensation and Payment to Risk Management and Property Funds.**

This line item provides funding for the Department's share of the statewide costs for both risk management and property programs, as well as workers' compensation. The Department requests \$1,725 General Fund. **Staff's recommendation is pending Committee common policy for this item.** Staff will ultimately reflect Committee 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 outlay<sup>1</sup>, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The most significant expenditure funded through this appropriation is for leasing Bloomberg terminals. 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 memberships to organizations and registration fees for seminars.

During the FY 2008-09 budget process, the General Assembly approved Decision Items or Budget Amendments that increased the appropriation for the line by \$158,881 General Fund. The approved items included the Treasurer's Transparency Initiative, upgrades to software packages, contracting for a Chief Information Security Officer with the Governor's Office of Information Technology, and

---

<sup>1</sup> 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.

making other cyber security improvements, funding for an increase in lease rates for investment terminals, and an increase in subscription rates for credit research services.

## **Budget Amendments**

### Operating Expense Reductions

In response to the need to reduce expenditures, the Department has requested four budget amendments that combine to reduce Operating Expenses by \$41,591 General Fund. The first of these requests is to reduce the departments publications costs by \$5,000. The second request is to reduce web programming costs related to the transparency initiative by \$3,740. The Department has advised that it can absorb these reductions.

The next two requests are to reduce expenses related to Cyber Security. The Department has consulted with the Governor's Office of Information Technology (OIT) and agreed that costs of the program could be reduced without compromising security. The Department contracts with OIT for the Department's Chief Information Security Officer, which is charged to the Department at \$44,339 General Fund and 0.5 FTE. The Department and OIT agree that this expense can be reduced by \$22,170 and 0.25 FTE. Also, the Department and OIT agree that security system costs can be reduced by \$10,681.

**Staff recommends approval of the four proposals, including reducing Operating Expenses by \$41,591.** This includes reducing publication costs by \$5,000, reducing web programming costs by \$3,740, reducing the Chief Information Security Officer costs by \$22,170 and reducing cyber security system costs by \$10,681.

### Increased Dues for membership in the National Association of State Treasurers

The Department is requesting an \$800 increase to provide for an increase in the membership dues to the National Association of State Treasurers (NAST). NAST has recently changed its fee structure. Previously, fees were fixed across all states, and there has been no increases in dues since 1998. The fees structure adopted by the Association is for a tiered membership fee based on state population.

NAST promotes education and exchange of ideas, builds professional relationships, develops standards of excellence and influences public policy for the benefit of the citizens of the states. The membership is composed of all state treasurers, or state finance officials with comparable responsibilities. It is instrumental in developing and promoting standards of excellence regarding ethical conduct, policy guidelines and accountability, and model legislation and regulations.

Currently, dues are \$1,500, and will increase to \$5,500. NAST has phased the fee increase over five years, which for Colorado means an increase of \$800 in each of the next five fiscal years. **Staff recommends approval of the request to increase the Operating Expenses line item by \$800 in each of the next five fiscal years.**



### Non-Prioritized Decision Item

The Department has requested \$190 for a statewide decision item regarding mail. **Staff's recommendation for that request is pending Committee policy.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

The Department revised request is for \$225,985 General Fund for operating expenses, including the budget amendments which total a reduction of \$40,791. **Staff recommends approving the Department's request of \$225,985 General Fund).** This total includes the pending item regarding mail. **Staff requests permission to adjust the line to reflect the Committee's decision on the statewide decision item.**

### Information Technology Asset Maintenance

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

**Staff recommends approving the continuation request** to allow the Department to replace equipment periodically and reduce the potential for hardware failure.

### Legal Services.

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 funding for 575 hours of legal services with a corresponding appropriation of \$41,418 (including \$20,709 General Fund and \$20,709 cash funds from the Unclaimed Property Trust Fund). This represents a continuation level of funding.

The following table details appropriations provided by the General Assembly since FY 2001-02, as well as actual expenditures.

Recent History: Legal Services Appropriations and Expenditures						
Appropriations					<i>Percent Change</i>	<i>Actual</i>
	<b>Long Bill</b>	<b>Supplemental</b>	<b>Final</b>	<b>Hours</b>	<i>Mid-year</i>	<b>Expenditures</b>
FY 2003-04	20,061	79,186	99,247	1,632	394.7%	58,249
FY 2004-05	20,318	49,815	70,133	1,139	245.2%	70,133
FY 2005-06	21,268	15,324	36,592	576	72.1%	35,342
FY 2006-07	38,968	0	38,968	575	0.0%	38,700
FY 2007-08	41,418	0	41,418	575	0.0%	39,863
FY 2008-09	43,182	0	43,182	575	0.0%	0

Although the Treasurer's staff is relatively small, the Treasurer's responsibilities involve a number of programs and funding mechanisms. It is important that the State Treasurer have access to quality, timely legal services. **Staff recommends providing funding sufficient to allow the State Treasurer to purchase a continuation level of 575 hours of legal services. The rate for these legal services is pending the approval of a Committee common policy.** Consistent with the request, half the funding for this line will come from the Unclaimed Property Trust Fund and the remainder will come from the General Fund. Staff will ultimately reflect Committee 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. The Department requests \$21,767 General Fund for computer services provided by the General Government Computer Center. **Staff's recommendation for the purchase of services from the computer center is pending Committee policy.** Staff will ultimately reflect Committee 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 for the costs of maintaining state buildings that are part of the capitol complex. The Department requests a \$53,717 General Fund appropriation for the space that it occupies in the State Capitol Building. **Staff recommends approving funding for the square footage currently occupied by the Treasurer's Office. The corresponding General Fund appropriation for this line is pending approval of a common policy rate per square foot for Capital Complex Leased Space.** Staff will ultimately reflect Committee 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 district<sup>2</sup> 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 to be deposited into the Charter School Financing Administrative Cash Fund. Moneys in this fund are continuously appropriated. The FY 2007-08 Long Bill includes an informational \$5,000 appropriation from this fund.
- ❑ Under the provisions of House Bill 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 .001 of the principal amount of the bonds outstanding (\$1 for every \$1,000 of principal) 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 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 FY 2007-08 Long Bill does not include an informational appropriation related to this fund.

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

### Discretionary Fund.

Pursuant to Section 24-9-105, C.R.S., five elected state officials receive annual appropriations for "expenditure in pursuance of official business as each elected official sees fit". Thus, 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 the requested \$5,000 General Fund appropriation.**

---

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

## LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Staff recommends the following written request for information include the modifications shown 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, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2008~~ 2009, 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 ~~2007-08~~ 2008-09 as well as projected expenditures for FY ~~2008-09~~ 2009-10. The requested report should be submitted as part of the State Treasurer's annual budget request.
  
  - 3 Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2008~~ 2009, 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 ~~2007-08~~ 2008-09, as well as projected data for FY ~~2008-09~~ 2009-10. The requested information should be submitted as part of the State Treasurer's annual budget request.
-

## **(2) UNCLAIMED PROPERTY PROGRAM**

*Background Information:* The Department administers the state 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 businesses 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. Since the program's inception, 27.6 percent of the property that the State has recovered has been returned to the rightful owner.

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.]. Since the inception of the program, a total of \$171 million (45 percent) of Trust Fund revenues has been statutorily transferred to the General Fund, to the CoverColorado Program, and to support an industrial bank program in the mid-1990s. The following table provides an overview of the Unclaimed Property Trust Fund.

<b>Unclaimed Property Trust Fund</b>		
<b>Description</b>	<b>FY 2007-08</b>	<b>Cumulative Since FY 1987-88</b>
Total Revenues <1>	\$72,326,520	\$410,757,871
Total Claims Paid	22,814,003	121,742,213
<i>Claims Paid as Percent of Total Revenues</i>	<i>31.5%</i>	<i>29.6%</i>
Reserve Amount Held for Future Claims	49,697,438	49,697,438
<i>Reserve as Percent of Total Revenues</i>	<i>68.7%</i>	<i>12.1%</i>
<b>Transfers &lt;2&gt;:</b>		
General Fund	0	115,455,204
CoverColorado	19,426,146	72,665,172
Escheats	0	520,968
Industrial Banks	<u>0</u>	<u>7,612,881</u>
Total Transfers	19,426,146	196,254,225
<i>Transfers as Percent of Total Revenues</i>	<i>21.3%</i>	<i>47.8%</i>
Funds Used for Administration of Unclaimed Property Program<3>	1,840,285	10,276,354
<i>Administrative Costs as Percent of Total Revenues</i>	<i>2.5%</i>	<i>2.5%</i>

- <1> Excludes interest earnings as well as proceeds from the sale of securities that occurred in May 2005 pursuant to S.B. 04-256.
- <2> 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.
- <3> Prior to FY 2002-03, the Unclaimed Property Program was supported with General Fund appropriations.

In addition, pursuant to S.B. 04-256, the Department sells securities that have been held as unclaimed property for more than one year and deposits 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.

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 principal in the Unclaimed Property Trust Fund. 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 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 (Decision Item # 2)**

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. This line item also provides funding for certain professional and temporary services. The following table shows the distribution of FTE's within the division.

Staffing Summary	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	Approp.	Request	Recomm.
Program Director	1.0	1.0	1.0	1.0
Compliance Manager/LAN Administrator	0.8	1.0	1.0	1.0
Program Administration/Compliance	1.0	1.0	3.0	3.0
Program Administration/ Claims Processing	2.0	4.5	4.5	4.5
Program Administration/Safe Deposit Boxes	0.8	1.0	1.0	1.0
Auditors	2.6	4.0	4.0	4.0
Clerical	<u>0.8</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
TOTAL	9.0	13.5	15.5	15.5

The Department requests \$783,498 cash funds from the Unclaimed Property Trust Fund and 15.5 The Unclaimed Property personal services request includes the conversion of temporary positions to 2.0 FTE at a total cost of \$25,508 cash funds.

Decision Item # 2 - Conversion of Temporary Positions to Full-Time Employees

The Department is requesting to convert temporary positions in the Unclaimed Property Program to 2.0 FTE, requiring an increased appropriation of \$25,508. During the FY 2008-09 budget process, the Department and JBC staff requested the conversion of three temporary positions to 2.5 FTE in the Claims Processing section. These were position that had been filled by "temporary" employees for over 15 years. This was justified by the fact that these position were filled year-round on a long term basis without showing up in the Department's FTE counts.

Similarly, the Compliance section has two positions filled on a year-round basis with temporary employees. Approximately six years ago, this section began utilizing the services of a temporary worker on a year-round basis for data entry and a variety of other tasks. Due to increased workload, the Department had to increase its use of temporary employees.

The Department's request is broken down in the following table among the various line items affected.

Decision Item # 2		
Conversion of Temporary Position to Full-time Equivalents		
Cash Funded from the Unclaimed Property Trust Fund		
Line Item	FY 2009-10	FY 2010-11
<u>Unclaimed Property Program</u>		
Personal Services	\$14,245	\$14,245
FTE	2.0	2.0
<u>Administration</u>		
Health, Life and Dental	10,416	10,416
Amortization Equalization Disbursement	521	626
Supplemental Amortization Equalization Disbursement	<u>326</u>	<u>456</u>
Total Request	\$25,508	\$25,743

**Staff recommends approval of the Department's request to convert temporary positions to 2.0 FTE at a cost of \$25,508 cash funds from the Unclaimed Property Trust Fund.** These "temporary" employees are working full-time year-round without showing up in the Departments FTE count.

**Staff recommends an appropriation of \$781,790 cash funds from the Unclaimed Property Trust Fund and 15.5 FTE.** The following table, which employs the common policies approved by the Committee, summarizes staff's calculation of the FY 2008-09 personal services recommendation for the Unclaimed Property Division. The difference between the Department's request and the staff recommendation is application of Committee policy regarding the amount of performance-based pay awards that is built into the base appropriation.

Personal Services - Unclaimed Property Division		
	Cash Funds	FTE
<b>FY 2008-09 Long Bill</b>	\$738,000	13.5
Special Bills and Supplemental Appropriations for Personal Services	0	0.0
Saving from Hiring Freeze	<u>(24,914)</u>	<u>0.0</u>
<b>FY 2008-09 Total</b>	713,086	13.5
Restore Savings from Hiring Freeze	24,914	0.0
FY 2007-08 Salary Survey	22,714	0.0
FY 2007-08 Performance-based Pay Awards*	<u>6,831</u>	<u>0.0</u>
<b>Recommended Base Appropriation for FY 2009-10</b>	767,545	13.5
Decision Item #2: Conversion of Temporary Position to FTE in Compliance section	<u>14,245</u>	<u>2.0</u>
<b>Staff Recommendation: FY 2009-10</b>	781,790	15.5

\* Per Committee policy, this calculation includes 80 percent of the appropriated FY 2007-08 Performance-based Pay Awards as part of the base for calculation of the FY 2008-09 personal services line.



## Operating Expenses

This line item provides funding for supplies and materials, as well as for certain services that are not covered by other line items such as capital outlay<sup>3</sup>, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. This line item funds the Unclaimed Property Division's operations. For FY 2009-10, the Department requests an appropriation of \$124,226 cash funds from the Unclaimed Property Trust Fund. The request includes a continuation amount of \$120,611 cash funds and \$3,615 cash funds associated with a statewide decision item regarding mail processing. **Staff recommends approving the Department's request, pending Committee action of the statewide decision item.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

## Promotion and Correspondence (Decision Item #1)

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 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 2007-08 of \$23,672,816, the Department is statutorily allowed to spend up to \$473,456 for this purpose in the current fiscal year. For FY 2009-10, the Department requests a decision item to increase the level of funding to \$200,000 cash funds from the Unclaimed Property Trust Fund, an increase of \$49,704 from the FY 2008-09 appropriation.

Of the Department's FY 2008-09 appropriation, approximately \$115,000 will go to distribute in a Sunday edition of the Denver Post the list of the names whose property is being held in the Trust Fund. This amount has been increasing by the year as the number of names increases and publication costs increase. This method of reaching potential property owners is still effective, as shown by the Department's data that shows that "hits" on the Great Colorado Payback website increased after publication from about 40,000 in February 2008 to about 160,000 in March, and about 130,000 in April. The website was still experiencing increased activity into May and June.

Starting in June 2008, the Treasurer began an advertising program on Colorado Rockies games. According to the Department, website "hits" again spiked in July to about 180,000 before settling back closer to the February level. This promotion appears to have had its intended effect. During the three and one-half months of FY 2008-09, the Department returned \$5.7 million to claimants. During the same period in FY 2007-08, the Department returned \$3.9 million. The increase from year-to-year was \$1.8 million, an increase of 46 percent.

---

<sup>3</sup> 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.

With the increase, in the appropriation, the Department intends to purchase advertising on Denver Broncos broadcasts with the intent of reaching more people. Below is a table that shows what the Department plans to do with the funds if this request is granted.

Potential Promotional Expenditures	Amount
Denver Post - annual publication	\$115,000
Colorado Rockies baseball "spots"	40,000
Denver Broncos football "spots"	40,000
Internet advertising/ miscellaneous	<u>5,000</u>
Total	\$200,000

**Staff recommends approving the Department's request for \$200,000 cash funds from the Unclaimed Property Trust Fund.** If it is the General Assembly's intent that the State Treasurer make a good faith effort to locate and reunite owners (and heirs) with their dormant/abandoned property, staff believes it is important to provide the tools necessary to do so.

**Leased Space.**

This line item provides funding for lease of space at 1580 Logan Street. Pursuant to the terms of the lease, the Department requests \$50,257, an increase of \$1,733 built into the lease for FY 2009-10 for the 3,466 square feet it occupies (\$14.50 per square foot). The fund source is the Unclaimed Property Trust Fund. **Staff recommends approving the request.**

**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. Section 38-13-116.5 (2), C.R.S., specifies that amounts spent directly and indirectly to administer the unclaimed property program shall be appropriated by the General Assembly and shall count toward the state's TABOR limit. This line item thus reflects the payments for contract auditor services.

The Department requests a continuation level of funding (\$800,000) for Third Party Auditor Contract Services. This is equivalent to 12 percent of \$6.7 million. Based on actual expenditures for this line item, it appears that this is a reasonable request and **staff recommends approving the request.** The funding source is the Unclaimed Property Trust Fund.

### **(3) SPECIAL PURPOSE**

#### **Senior Citizen Property Tax Exemption.**

This line item provides funding to reimburse local governments for property taxes foregone as a result of the Senior Citizen Property Tax Exemption. The original exemption, authorized in Section 3.5 of Article X of the State Constitution, approved by voters in 2000, and implemented in Sections 39-3-201 to 208, C.R.S., grants a property tax exemption to qualifying<sup>4</sup> senior citizens 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 six percent 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 governmental 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 of the six percent limit 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 \$44,123,604 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.

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

---

<sup>4</sup>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).

In the 2006 Session, the General Assembly adopted S.C.R. 06-001 and 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 General Assembly adopted H.B. 07-1251 during the 2007 Session to implement this constitutional change. This expansion is effective for property tax years commencing on or after January 1, 2007.

Estimated expenditures are included in the Department of Treasury's budget for informational purposes. The FY 2008-09 Treasury budget request reflects \$86.2 million for this purpose. **Based on the Legislative Council Staff December 2008 revenue forecast and current statute, staff recommends reflecting 91.4 million in the FY 2009-10 Long Bill. Staff also requests permission to update this figure, if necessary, based on the March 2008 Legislative Council Staff revenue forecast when the Long Bill is finalized.** The following table provides historical data related to the number of exemptions granted and the valuation exempted.

<b>Senior Citizen and Disabled Veterans Property Tax Exemption</b>				
<b>Funding History</b>				
	<b>FY 02-03</b>	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>
	<b>Actual</b>	<b>Actual /a</b>	<b>Actual</b>	<b>Estim. /b</b>
County Reimbursement for Tax Exemption	\$61,491,764	\$74,232,895	\$79,138,173	\$83,965,186
Number of Exemptions Granted /b	123,326	146,836	157,350	163,691
Average Property Tax Exempted	\$499	\$506	\$503	\$513
Percent of Residences Granted Exemption	8.0%	8.5%	8.8%	9.2%
	\$8.87	\$11.74	\$12.91	\$13.69
Actual Value Exempted	billion	billion	billion	billion
	\$0.81	\$0.93	1.04	\$1.09
Assessed Value Exempted	billion	billion	billion	billion

/a The statutory limit on the value that may be exempted was lowered from \$200,000 to \$0 for FY 2003-04 through FY 2005-06, eliminating state spending on the exemptions for those years.

/b This figure is based on the Legislative Council staff December 2007 revenue forecast. The appropriation of \$78.6 million was based on estimates included in the March 2008 revenue forecast.

## **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 140 percent of the industry average<sup>5</sup>, premium revenues cover only 43 percent of program costs. Thus, the program requires a subsidy from one or more other sources of revenue. These other sources of revenue currently include: contributions from insurance companies provided in exchange for a 100 percent premium tax credit (a maximum of \$5.0 million total 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. CoverColorado expenses began to exceed annual revenues in FY 2001-02. Absent the insurance carrier assessments that occurred in August 2003 and May 2004, program costs in FY 2003-04 would have exceeded program revenues by \$4.5 million.

<b>CoverColorado: Recent Funding History</b>						
<b>Fiscal Year</b>	<b>Claims and Administrative Costs</b>	<b>Premiums Paid by Enrollees</b>	<b>Ratio: Premiums/ Total Costs</b>	<b>Total Subsidy Required</b>	<b>Other Sources of Revenue &lt;a&gt;</b>	<b>Annual Surplus/ (Deficit)</b>
98-99	\$5,300,177	\$3,043,656	57.4%	(\$2,256,521)	\$3,685,669	\$1,429,148
99-00	6,600,410	3,388,467	51.3%	(3,211,943)	6,191,425	2,979,482
00-01	10,163,795	5,149,955	50.7%	(5,013,840)	6,054,890	1,041,050
01-02	17,715,896	9,380,110	52.9%	(8,335,786)	8,144,133	(191,653)
02-03	28,163,622	17,064,208	60.6%	(11,099,414)	3,527,552	(7,571,862)
03-04	34,505,598	21,361,177	61.9%	(13,144,421)	40,843,100	27,698,679
04-05	34,668,993	21,402,805	61.7%	(13,266,188)	6,268,704	(6,997,484)
05-06	36,786,073	23,878,912	65.0%	(12,907,161)	14,230,799	1,323,638
06-07	47,360,495	24,406,715	51.5%	(22,953,780)	18,924,535	(4,029,245)
07-08	59,467,683	29,000,498	48.8%	(30,467,185)	39,436,662	8,969,477
<b>Projections:</b>						
08-09 <b>	80,270,553	38,293,142	47.7%	(41,977,411)	39,436,662	(2,540,749)
09-10 <b>	108,026,895	49,118,528	45.5%	(58,908,367)	58,238,530	(669,837)
10-11 <b>	135,178,351	61,297,564	45.3%	(73,880,787)	70,674,171	(3,206,616)
11-12 <b>	166,218,726	76,904,611	46.3%	(89,314,115)	85,608,125	(3,705,990)
12-13 <b>	201,999,454	94,893,968	47.0%	(107,105,486)	102,831,693	(4,273,793)

<a> Other sources of funding include: interest earned on the CoverColorado Cash Fund, moneys made available from the Unclaimed Property Program, insurance carrier assessments, federal funds, and annual contributions from insurance carriers in exchange for a premium tax credit.

<b> Projections prepared by Leif Associates, dated October 26, 2007. Reflects "baseline" actuarial scenario. Projections include insurance carrier assessments of \$71.8 million in FY 2010-11 and \$103.1 million in FY 2011-12.

<sup>5</sup> 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.

The only revenue source that is reflected in the annual Long Bill is the amount anticipated to be transferred from the Unclaimed Property Trust Fund; this amount appears in the Treasury section. CoverColorado is defined as a "special purpose authority" for purposes of TABOR, so none of CoverColorado's expenditures are subject to TABOR limits, including moneys transferred from the Unclaimed Property Trust Fund.

While CoverColorado has received moneys transferred from the Unclaimed Property Trust Fund since FY 1993-94, S.B. 04-211 changed state funding for CoverColorado, requiring the Treasury Department to transmit both interest and principal from the Unclaimed Property Trust Fund to CoverColorado in order to cover expenses of the program that are not met by premiums paid by those insured. Specifically, if necessary, the Treasury is required to transmit an amount equal to the principal and interest of the Unclaimed Property Trust Fund, less: (1) claims paid and the amount estimated to be necessary to pay anticipated future claims; and (2) the costs of publishing names of unclaimed property owners and mailing notices to certain individuals whose names appear on the list. [Section 38-13-116.5, C.R.S.]. Any such transmittals are not counted as state revenue under TABOR as CoverColorado is a special purpose authority [as defined in Section 24-77-102, C.R.S.].

During the 2008 session, the General Assembly passed two bills related to CoverColorado. The first (H.B. 08-1309) established a task force to develop a plan for funding the program. The second, (H.B. 08-1390) established a new funding structure beginning January 1, 2009. Funding for CoverColorado will be 50 percent from premiums charged to participants, as well as grants and donations, 25 percent from the Unclaimed Property Trust Fund, and up to 25 percent from special fees assessed against insurers. If the program experiences unexpected growth in program enrollment or claims expenses, it can request additional funding from the Unclaimed Property Trust Fund. This legislation has reduced the impact of the program on the Unclaimed Property Trust Fund.

**The Department 's budget request includes an informational appropriation of \$27,000,000 to reflect anticipated transfers to CoverColorado in FY 2009-10. Staff recommends reflecting the amount requested.** CoverColorado is projecting revenues totaling \$108 million in FY 2009-10, including \$49 million in premiums paid by enrollees, \$27 million from the Unclaimed Property Trust Fund, \$31.9 million from other sources, including carrier assessments, insurance premium tax credits and interest earnings.

#### **Fire and Police Pension Association - Old Hire Plans.**

*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 and firefighters who were hired before 1978 ("old hire" pension plans). The legislation that originally established a program to provide partial state funding for old hire pension plans clearly stated that the state's financial assistance was temporary. Specifically, S.B. 79-79 included the following language in the legislative declaration:

"...The general assembly further declares that state moneys provided to municipalities and fire protection 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 departments. 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 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 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 six percent 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<sup>6</sup>.

Twice since 1980, the General Assembly has temporarily suspended the state contribution to old hire 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, the General Assembly (through 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 2009-10, whichever came first. Prior to S.B. 95-228, it was anticipated that state funding would continue through 2024. The earlier end-date was intended to coincide with the point at which all "old hire" employees would be retired.

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 may be made at any time prior to April 30, 2012. Finally, S.B. 03-263 changed the date of the annual payment from September to April, which is more consistent with the State's General Fund cash flow. The annual required \$25.3 million state contribution resumed in April 2006.

### **Department Request**

Under current law, the State is required to contribute \$25.3 million per year through FY 2011-12 or until the plans are fully funded, whichever comes first, plus an additional make-up payment (if

---

<sup>6</sup> 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.

necessary) related to the suspension of contributions in FY 2003-04 and FY 2004-05. For FY 2006-07 and FY 2007-08, the Joint Budget Committee voted to increase the appropriation by \$9.5 million (to \$34,774,141 in FY 2006-07 and \$34,777,172 in FY 2007-08). The Committee's plan had been to continue these extra payments for two more fiscal years (FY 2009-10 and FY 2010-11) and was based on a scenario which avoids the balloon payment otherwise required in April 2012; the amount was based on increasing the appropriation for four years, consistent with the Referendum C "time-out" period, and then appropriating the remaining obligation in FY 2010-11 and FY 2011-12, as necessary.

Due to the economic downturn, and the need to cut General Fund spending to balance the budget, the Joint Budget Committee approved a supplemental appropriation for FY 2008-09 eliminating the extra payment of \$9.5 million, and approved recommending a budget balancing bill that suspended the minimum \$25.3 million payment to the FPPA for three years. The bill will extend the payments by three years with the final payment coming in FY 2014-15. The proposed budget balancing bill (S.B. 09-227) has passed the Senate and is currently working its way through the House.

The table below shows the effects of the cancellation compared to the schedule required in current law. **The figures for payoff are based on actuarial assumptions of an eight percent annual return on investments each year, including 2008. FPPA reports that their investment performance in 2008 was a loss of 27.1 percent.** The final payoff amount could be higher or lower depending upon investment returns in the years prior to the payoff.

Fire and Police Pension Association "Old Hire" Pension Plans State Assistance Payment Schedule		
Fiscal Year	Payments According to Previous Statute *	Proposed Payment Schedule (per S.B. 08-227)
2005-06 Actual	\$25,321,079	\$25,321,079
2006-07 Actual	34,774,141	34,774,141
2007-08 Actual	34,777,172	34,777,172
FY 2008-09 Estimated	25,321,079	0
FY 2009-10 Projected	25,321,079	0
FY 2010-11 Projected	25,321,079	0
FY 2011-12 Projected	48,262,620	25,321,079
FY 2012-13 Projected	0	25,321,079
FY 2013-14 Projected	0	25,321,079
FY 2014-15 Projected	<u>0</u>	<u>83,853,854</u>
<b>Total Payments</b>	219,098,249	254,689,483

\* Includes "extra" payment during FY 2006-07 and FY 2007-08, which along with similar payments in FY 2008-09 and FY 2009-10 would have reduced or eliminated the balloon payment required in FY 2011-12.



The Department's request includes an appropriation \$0 for FY 2009-10. **Staff recommends an appropriation of \$25,321,079 General Fund Exempt.** If S.B. 09-227 passes, staff requests permission to reflect the appropriation of \$0 General Fund Exempt in the Long Bill.

**Highway Users Tax Fund - County Payments.**

The Highway Users Tax Fund (HUTF) primarily consists of revenue from motor fuel excise taxes, motor vehicle license and registration fees, and drivers' 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. These distributions occur *after* "off-the-top" appropriations to the Department of Public Safety and the Department of Revenue.

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 administration<sup>7</sup> of the county highway systems and any other public highways. The Treasurer's budget request included estimated distributions to counties totaling \$160,432,102 in FY 2009-10. **Based on Legislative Council staff's December 2008 revenue forecast, staff recommends including a cash funds appropriation of \$159,528,684** in the Long Bill for informational purposes. Note that prior to FY 2008-09 HUTF funds were classified as cash funds exempt. With the transition to reappropriated funds, HUTF funds are now classified as cash funds. **Staff requests permission to update this figure with the latest Legislative Council Staff projections of HUTF distributions to counties when the Long Bill is finalized.**

**Highway Users Tax Fund - Municipality Payments.**

This line item provides an estimate of the amount that will be distributed to municipalities (including the City and County of Denver and the City and County of Broomfield). Cities and incorporated towns are required to use such funds for the construction, engineering, reconstruction, maintenance, repair, equipment, improvement, and administration<sup>8</sup> of the system of city/town streets or any public highways located in the city/town. The Treasurer's budget request included estimated distributions to counties totaling \$105,962,026 in FY 2008-09. **Based on Legislative Council staff's December 2008 revenue forecast, staff recommends including a cash funds appropriation of \$104,280,011** in the Long Bill for informational purposes. Note that prior to FY 2008-09 HUTF funds were classified as cash funds exempt. With the transition to reappropriated funds, HUTF funds are now classified as cash funds. **Staff requests permission to update this figure with the latest**

---

<sup>7</sup> 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 funds available.

<sup>8</sup> Pursuant to Section 43-4-208 (1), C.R.S., this amount is limited to 5.0 percent of each city's share of the funds available.

**Legislative Council Staff projections of HUTF distributions to counties when the Long Bill is finalized.**

**LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION CONCERNING THE SPECIAL PURPOSE SECTION**

Staff recommends the following written requests for information be continued, with the modifications shown below. The modification are shown in struck type and small capitals.

- 4 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, ~~2008~~ 2009, and by February 1, ~~2009~~ 2010, that contain enrollment, revenue, expenditure, and assessment projections for the CoverColorado program for ~~FY 2008-09~~ and FY 2009-10 AND FY 2010-11.
  
- 5 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, ~~2008~~ 2009. 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, 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.

## **BUDGET BALANCING OPTIONS**

### Suspension of Senior Citizen and Disabled Veterans Property Tax Exemption

The Governor has proposed as part of his budget balancing package the temporary elimination of the Senior Citizen and Disabled Veterans Property Tax Exemption for FY 2009-10, FY 2010-11, and FY 2011-12. Based on the latest Legislative Council's staff economic forecast, the State is estimated to save \$91.4 million in FY 2009-10 if this proposal is adopted. According to the Department of Local Affairs, Division of Property Taxation, about 164,000 exemptions were granted for the property tax year 2008, out of 1.8 million residential properties statewide. This means about 9.2 percent of residential properties receive the exemption. The average value of the exemption to a taxpayer is about \$500 per year.

According to the latest Legislative Council staff forecast, it is estimated that the State will have to pay local governments about \$91.4 million in FY 2009-10 to reimburse those governments for the property taxes foregone due to the property tax exemption. Eligibility for the senior citizen exemption is that an owner-occupier of a home must be sixty-five years old and have lived in the house for at least ten years, or be the surviving spouse of someone who was eligible. Eligibility for the disabled veterans exemption is that the owner-occupier must be U.S. military veteran with a 100% service connected disability who declares the home to be his/her primary home.

During the last economic downturn, the exemption was temporarily suspended for three fiscal years (2003-04, 2004-05, and 2005-06) to help the state overcome that budget crisis. According to Article X, Section 3.5 (2), of the Colorado Constitution, the General Assembly may raise or lower the maximum amount of the actual value of the residential real property of which 50 percent shall be exempt. Should the General Assembly decide to take this action, it would be accomplished by a bill similar to S.B. 03-265, which set the amount that could be exempted at zero dollars.

According to the Legislative Council December 2008 Revenue Estimate, the amount of General the homestead exemption will be \$91.4 million in FY 2009-10, \$97.6 million in FY 2010-11, and \$103.4 million in FY 2011-12.

When considering this legislation, the Joint Budget Committee and the General Assembly should consider that senior citizens have another option for assistance with the payment of property taxes. Section 39-3.5-102, C.R.S. allows a person sixty-five years of age to defer their property taxes.

**Staff recommends the Joint Budget Committee consider legislation that would suspend the Senior Citizen and Disabled Veterans Property Tax Exemption for FY 2009-10 through FY 2011-12.**

## Transfer from Unclaimed Property Trust Fund to General Fund

The Governor has proposed that the General Assembly transfer \$50 million from the Unclaimed Property Trust Fund to the General Fund in FY 2009-10, and another \$25 million in FY 2010-11. The table below shows the projections for the Unclaimed Property Trust Fund (UPTF) as reported by the Treasury.

<b>Unclaimed Property Trust Fund*</b>			
<b>Projected Revenues and Expenditures</b>			
<b>(All figures in \$ million)</b>			
	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
Projected End of Year Balance with No Action	\$123.0	\$131.4	\$131.9
Projected Net Revenues (Remittances less claims)	0.0	34.6	34.2
Projected Interest Revenue	1.5	4.3	4.3
Projected Mandatory Expenditures	(14.1)	(30.5)	(38.0)
Projected End of Year Balance (No action taken)	123.0	131.4	131.9
Beginning Balance after Proposed Transfer	\$123.0	\$131.4	\$81.9
Proposed Transfer	\$0.0	\$50.0	\$25.0
Balance after Proposed Transfer	\$123.0	\$81.4	56.9

\* These figures are net of the required reserve for CoverColorado, which currently is about \$50 million. This reserve is required because CoverColorado can draw on the principal of the fund and is calculated based on the five year average of claims as a percent of net revenues.

**Impact of Proposed Transfer:** The principal of the fund is to be held in perpetuity for the rightful owners of the property. Therefore, any time an owner makes a legitimate claim, the State is required to pay the claim. If, at any time, the fund does not have moneys available to pay owners' claims, the General Fund becomes liable. As of January 20, 2009, the total outstanding claim liabilities of the program are approximately \$473.4 million. Over the last five years, net revenue of the fund (remittances minus claims) has averaged about \$34 million.

**Staff recommends that the Committee consider legislation that would transfer \$50 million from the Unclaimed Property Trust Fund to the General Fund in FY 2009-10.**