

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2016-17 STAFF BUDGET BRIEFING
DEPARTMENT OF TREASURY**

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

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DEPARTMENT OF TREASURY

Department Overview

The State Treasurer is one of five independently elected constitutional officers of the state. The Department of the Treasury consists of three sections: (1) Administration; (2) the Unclaimed Property Division; and (3) a Special Purpose unit, and is responsible for the following:

Primary Functions

- Ensures the safekeeping and management of public funds by depositing and investing all funds received by state agencies.
- Ensures sufficient funds are maintained in cash accounts to pay outstanding warrants.
- Administers the Unclaimed Property Program.

School Districts and Charter Schools

- Provides short-term financing to school districts by issuing tax and revenue anticipation notes.
- Assists charter schools with long-term financing by making direct bond payments.

Other Distributions and Loans

- Distributes Highway Users Tax Fund revenues to counties and municipalities.
- Distributes federal *mineral leasing funds* received for the state's share of sales, bonuses, royalties, and rentals of public lands within Colorado.
- Disburses reimbursements to local governments for the Senior Citizen and Disabled Veteran Property Tax Exemption.
- Makes loans to elderly individuals and military personnel through the Property Tax Deferral Program.
- Provides property tax reimbursements for property destroyed by a natural cause.
- Transmits moneys from the Unclaimed Property Trust Fund to the Adult Dental Fund.

Administration

In addition to overall management of the Department, the Administration section is responsible for accounting, cash management, and investments. The Department is responsible for ensuring the safekeeping and management of public funds by maintaining sufficient funds in cash accounts to meet the state's daily cash needs and depositing all funds received by state agencies in statutorily authorized investments. In addition, the Department ensures that sufficient funds are maintained in cash accounts to meet the state's daily cash needs. The income earned on these investments augments the state's revenues from taxes and fees and decreases the tax burden on Colorado's citizens. The Department's three investment offices manage five investment portfolios with short, intermediate, and long-term fixed income goals. These portfolios include:

- **TCash:** a short-term portfolio including investments made in securities from one day to one year. Its purpose is to pay the state's bills, including payroll, education, Public Employees

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Retirement Account, redemption funding of the state's Tax and Revenue Anticipation Notes). The TCash and the TPool portfolios combined are referred to as the Treasury Pool.

- **TPool:** an intermediate portfolio including investments made in securities with maturities from one to five years. Its purpose is to take advantage of the yield curve to earn income and diversify investments. The TCash and the TPool portfolios combined are referred to as the Treasury Pool.
- **The Public School Permanent Fund:** a long-term portfolio made up of money earned from the sale or rental of lands and mineral royalties held in the school land trust; structured to preserve principal first, and then to maximize income. The State Public School Fund receives the first \$16 million of this fund's investment earnings.
- **The Major Medical Insurance Fund:** a long-term portfolio made up of money earned from a surcharge in the Division of Workers Compensation in the Department of Labor and Employment. The surcharge rate is established in order to ensure that anticipated obligations in each fiscal year can be met, as well as maintain a balance to cover one year's claims plus expected administrative costs. Currently, \$83.0 million of this fund is designated as a component of the state's Emergency Reserve.
- **The Unclaimed Property Tourism Promotion Trust Fund:** a long-term portfolio made up of proceeds collected through the sale of securities in the custody of the State Treasurer as the administrator of unclaimed property. The principal of the fund is expended to pay claims. Earned interest is credited to the Colorado State Fair Authority Cash Fund, the Agriculture Management Fund, and the Colorado Travel and Tourism Promotion Fund. Currently, \$5.0 million of this fund is designated as a component of the State's Emergency Reserve.

Aside from moneys invested in the Unclaimed Property Tourism Trust Fund, Colorado Public School Permanent Fund, and Colorado Major Medical Insurance Fund portfolios, all other funds identified for special purposes in statute are invested as part of the Treasury Pool (TCash or TPool) portfolios. Portfolio performance is provided in Appendix C of this document.

Unclaimed Property Division

The Unclaimed Property Division is established to take custody of dormant or abandoned property and return the property to the rightful owners or heirs. The value of intangible property, excluding securities, is held in the Unclaimed Property Trust Fund (UPTF); and the value of securities is held in the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF). Funds from the UPTF support the administration of the Unclaimed Property Program, a portion of the Administration division's personal services line item. The value of returned property is funded through the UPTF if it is intangible property or the UPTPTF if it results from the sale of securities.

As outlined above, the UPTPTF is managed separately from the four remaining investment accounts, and pursuant to Section 38-13-116.7, C.R.S., distribution for earned interest of this

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fund is allocated as follows: 25.0 percent to the Colorado State Fair Authority Cash Fund, 65.0 percent to the Agriculture Management Fund, and 10.0 percent to the Colorado Travel and Tourism Promotion Fund. In September 2014, \$17.0 million from the sales of securities was deposited in the UPTPTF. The Unclaimed Property Division returned \$30.0 million from unclaimed property to more than 11,000 claimants in FY 2014-15, and has returned more than \$400.0 million since the program's inception.

Special Purpose Division

The Special Purpose Division disburses moneys to local governments and other authorized recipients of state funds for the following programs:

- The Senior Citizen and Disabled Veteran Property Tax Exemption from the General Fund;
- Disbursements of Highway Users Tax Fund proceeds to counties and municipalities in the state; and
- Reimbursement of property taxes paid for property that has been destroyed in a natural disaster or by another cause beyond the control of the property owner.

These programs, which are created in the State Constitution or statute, are appropriated in the Department of the Treasury section of the Long Bill, but are *pass-through* programs in which the Treasury disburses or transfers moneys, but does not administer the programs. The programs are described in the General Factors Driving the Budget section.

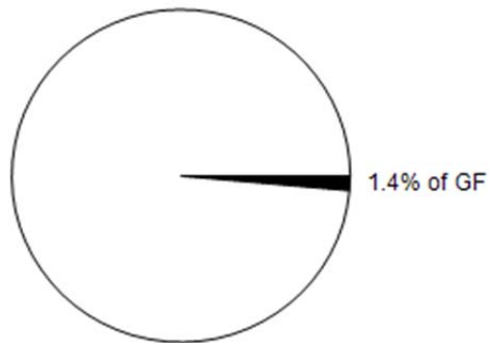
Department Budget: Recent Appropriations

Funding Source	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 *
General Fund	\$106,058,124	\$121,578,482	\$135,066,583	\$156,779,093
Cash Funds	327,651,424	317,200,922	346,610,762	354,332,699
Reappropriated Funds	0	0	0	0
Federal Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds	\$433,709,548	\$438,779,404	\$481,677,345	\$511,111,792
Full Time Equiv. Staff	31.9	31.9	31.9	31.9

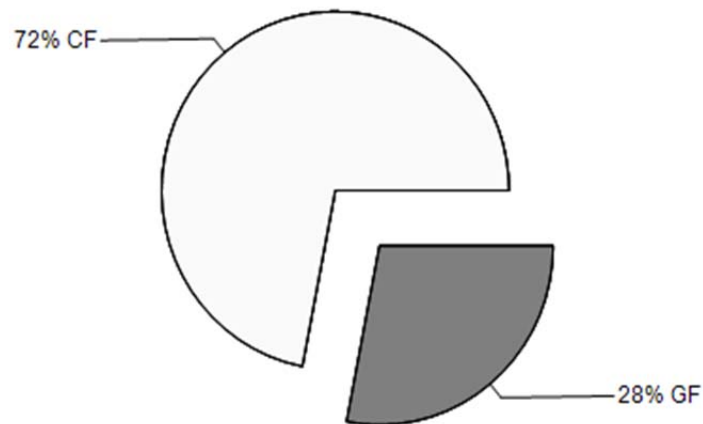
*Requested appropriation.

Department Budget: Graphic Overview

**Department's Share of Statewide
General Fund**

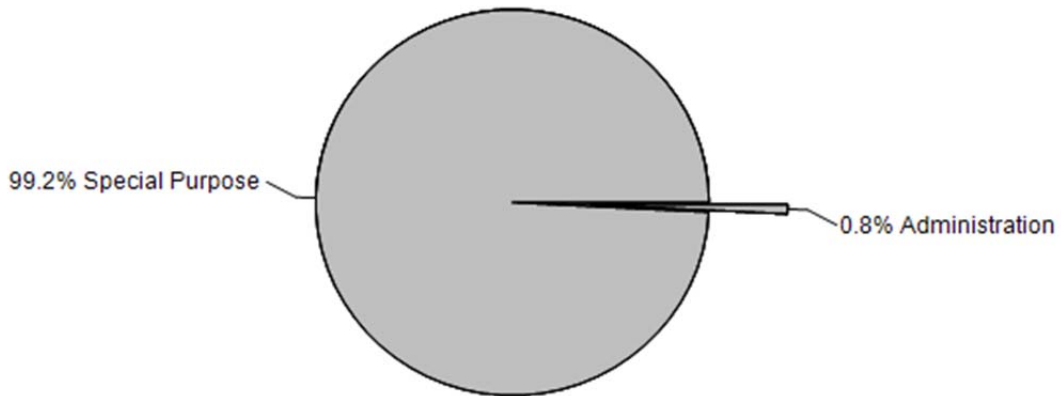


Department Funding Sources

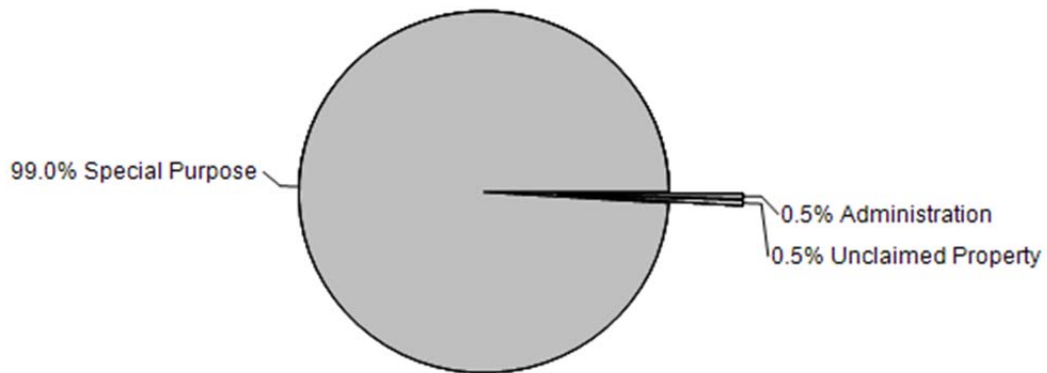


All charts are based on FY 2015-16 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on FY 2015-16 appropriation.

General Factors Driving the Budget

The Department's FY 2016-17 budget request consists of 30.7 percent General Fund, and 69.3 percent cash funds. Some major factors driving the Department's budget are discussed below.

Senior Citizen and Disabled Veteran Property Tax Exemption

Section 3.5 of Article X of the Colorado Constitution, approved by voters in November 2000 and implemented by Sections 39-3-201 to 208, C.R.S., grants a property tax exemption to qualifying senior citizens and disabled veterans. This provision exempts 50.0 percent of the first \$200,000 of actual home value. The Senior Citizen and Disabled Veteran Property Tax Exemption is administered by the Department of Local Affairs; however, the estimated General Fund expenditures are included in the Department of Treasury's budget for informational purposes. This exemption is covered in more detail beginning on page 12 of this document.

Transfers from the Unclaimed Property Trust Fund

Pursuant to the Unclaimed Property Act, Article 13 of Title 38, C.R.S., the Unclaimed Property Program in the Department of Treasury is established to take custody of dormant or abandoned property and return the property to the rightful owners or heirs. In general, all intangible property, including any income derived therefrom, less any lawful charges, that is held, issued, or owing in the ordinary course of a holder's business and has remained unclaimed by the owner for more than five years after it became payable or distributable is presumed abandoned. Such intangible property is subject to the custody of the state as unclaimed property and is held in trust on behalf of the owners in the Unclaimed Property Trust Fund (UPTF). Aside from the payment of claims to owners and heirs, the fund balance is used to cover the costs of administering the program, including personal services, operating expenses, promotion and correspondence, leased space, and contract auditor services for the division. In addition, it is used to cover a portion of the Department of Treasury's administrative costs, and a percentage of the salaries paid to the Treasurer and Deputy Treasurer.

Since 1991 funds from the principal and interest of the UPTF have been authorized for use to fund programs that address medical or dental needs of Colorado residents. From 1991 through 2013 annual transfers from the UPTF were made to CoverColorado, a nonprofit entity created by the General Assembly to offer health insurance coverage to people unable to obtain insurance at a reasonable cost or without significant exclusions.¹ As a result of the passage of the federal Patient Protection and Affordable Care Act in 2010, and pursuant to H.B. 13-1115, CoverColorado was repealed and the transmission of moneys to CoverColorado from the Unclaimed Property Trust Fund ended effective May 1, 2013. The legislation required the board to transmit \$15.0 million from CoverColorado to the State Treasurer for deposit into the UPTF on July 1, 2013. These funds were subsequently transferred from the UPTF to Connect for Health Colorado, the state's health benefit exchange. This was a one-time transfer.

Pursuant to S.B. 13-242, dental services for adults were added to the list of operational services provided in Medicaid and are funded through the creation of the Adult Dental Fund (ADF).

¹ Section 10-5-502, C.R.S.

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Legislation directs that transfers from the UPTF be made into the ADF to cover the costs of the bill. The Department of Health Care Policy and Financing estimates that FY 2015-16 costs will be approximately \$29.1 million; and projections for FY 2016-17 are \$30.6 million. The table below provides balance information for the UPTF.

Fund Balance Projection for Unclaimed Property Trust Fund					
(\$ Millions)					
	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
	Actual	Actual	Actual	Estimated	Projected
Beginning Balance	\$104.9	\$124.5	\$168.0	\$189.0	\$200.9
Net Revenue (Collections less claims)	53.2	46.2	41.1	41.9	41.9
Interest Income	1.3	1.5	2.0	1.5	2.0
Gross Revenue	\$159.4	\$172.2	\$211.1	\$232.4	\$244.8
Unclaimed Property Program Operating Expenses	(2.7)	(2.6)	(2.5)	(2.4)	(2.4)
Transfers to CoverColorado	(32.2)	0.0	NA	NA	NA
Transfers from CoverColorado (H.B. 13-1115)	NA	15.0	NA	NA	NA
Transfers to the Colorado Health Benefit Exchange (H.B. 13-1245)	NA	(15.0)	NA	NA	NA
Transfers to Adult Dental Fund (S.B. 13-242)	NA	(1.6)	(19.6)	(29.1)	(30.6)
Expenses	(\$34.9)	(\$4.2)	(\$22.1)	(\$31.5)	(\$33.0)
End Balance	\$124.5	\$168.0	\$189.0	\$200.9	\$211.8
Required Reserve	(99.5)	(106.5)	(109.9)	(115.4)	(121.2)
Available Balance	\$25.0	\$61.5	\$79.1	\$85.5	\$90.6

Note: Unclaimed Property Trust Fund balance, revenue, expenses, and reserve information provided by the Department of the Treasury. FY 15-16 and FY 16-17 estimated transfers to the Adult Dental Fund provided by the Department of Health Care Policy and Financing

Transfers to the State Education Fund

Prior to FY 2013-14, Section 31-30.5-307, C.R.S., required the state to pay part of the unfunded liability of retirement plans that cover police and firefighters who were hired before 1978. These payments were made through annual transfers from the General Fund (Exempt) to the Fire and Police Pension Association (FPPA), the plan administrator. This annual General Fund transfer was included in the Long Bill for informational purposes and was not subject to the statutory limit on General Fund appropriations. The intended payoff of this liability was scheduled to terminate upon the retirement funds becoming fully funded based on an actuarially sound basis. Legislation resulting in payment reductions or suspensions shifted the targeted payoff from December 2009 to April 2019. As of May 31, 2013, the six remaining payments (April 2014 through April 2019) were calculated to total \$171,597,134. The total payoff as of May 31, 2013 was calculated at \$132,409,339.

Pursuant to S.B. 13-234, on May 31, 2013, the State Treasurer transferred \$132,409,339 from the General Fund to the FPPA in order to fully resolve the liability. This transfer served to satisfy all future payments to the fund; and upon this transfer, no other transfers will be made to the benefit

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plan. According to Section 24-75-200, C.R.S., the transfer reduced the amount of the General Fund surplus that would otherwise have been transferred to the State Education Fund. In order to reimburse this fund, the General Assembly established a repayment schedule for transfers from the State General Fund to the State Education Fund. The first payment was made in April 2014 in the amount of \$45,321,079. Subsequent payments are outlined in the table below:

Transfers to State Education Fund	
Schedule per S.B. 13-234	
Payment Date	Amount
April 2016 (FY 15-16)	25,321,079
April 2017 (FY 16-17)	25,321,079
April 2018 (FY 17-18)	25,321,079
April 2019 (FY 18-19)	24,991,739

Highway Users Tax Fund Disbursements

The Department of Treasury distributes revenues from the Highway Users Tax Fund (HUTF) to counties and municipalities for use on local transportation projects pursuant to statutory formulas in Sections 43-4-207 and 208, C.R.S. The amounts anticipated to be distributed to counties and municipalities are reflected as cash fund appropriations within the Treasury section of the Long Bill for informational purposes. The following table details recent distributions of HUTF revenues as well as projected distributions for FY 2015-16 and FY 2016-17.

Highway Users Tax Fund (HUTF) Revenues and Distributions							
(\$ Millions)							
	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
	Actual \a	Actual \a	Actual \a	Actual \a	Actual \a	Projected \b	Projected \b
Total Revenues	\$938.4	\$943.3	\$937.5	\$970.6	\$1,013.1	\$1,034.4	\$1,053.0
<i>Annual Percent Change</i>	1.9%	0.5%	(0.6%)	3.5%	4.4%	2.1%	1.8%
Treasury Distributions							
Counties	\$185.4	\$187.1	\$184.7	\$190.6	\$200.6	\$204.8	\$208.5
Municipalities	\$127.3	\$127.4	\$126.4	\$130.4	\$136.9	\$139.8	\$142.3

\a Values have been updated to correspond with the final general ledgers for the Department of Treasury's Fund 405.

\b Treasury applied Legislative Council's forecasted percentage increase against the FY 2013-14 actual revenue and against Treasury's distributions to counties and municipalities.

Property Tax Reimbursement for Property Destroyed by Natural Cause

During the 2014 Legislative Session, the General Assembly passed H.B. 14-1001 appropriating General Fund to the reimbursement of certain property taxes owed or paid for real property and business personal property that has been destroyed in a natural disaster or by another cause beyond the control of the property owner. This reimbursement is effective for tax years commencing on or after January 1, 2013 and is to be paid after receiving a report from the

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county treasurer verifying the amount of tax to be reimbursed for destroyed property. In FY 2014-15, the State Treasurer issued warrants to the following counties:

HB 14-1001 Warrants Paid FY 2014-15	
Counties	Amount Paid
Boulder	\$380,580
El Paso	377,381
Huerfano	3,411
Jefferson	6,277
Larimer	84,473
Logan	50,945
Mesa	183
Weld	193,246
TOTAL	\$1,096,496

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Summary: FY 2015-16 Appropriation & FY 2016-17 Request

Department of the Treasury						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	<u>\$481,677,345</u>	<u>\$135,066,583</u>	<u>\$346,610,762</u>	<u>\$0</u>	<u>\$0</u>	<u>31.9</u>
TOTAL	\$481,677,345	\$135,066,583	\$346,610,762	\$0	\$0	31.9
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$481,677,345	135,066,583	\$346,610,762	\$0	\$0	31.9
R1 Funding for Unclaimed Property leased office space	1,733	0	1,733	0	0	0.0
R2 Investment tools - Bloomberg and S&P	4,480	4,480	0	0	0	0.0
R3 Investment tools - BondEdge	(26,770)	(26,770)	0	0	0	0.0
NP1 Secure Colorado	1,050	1,050	0	0	0	0.0
Highway User Tax Fund adjustment	19,679,238	0	19,679,238	0	0	0.0
Senior Citizen and Disabled Veteran Property Tax Exemption adjustment	9,695,533	9,695,533	0	0	0	0.0
Operating common policy adjustment	52,162	12,455	39,707	0	0	0.0
Compensation-related common policy adjustments	12,806	19,572	(6,766)	0	0	0.0
OIT common policy adjustments	12,090	12,090	0	0	0	0.0
Federal mineral lease adjustment	<u>2,125</u>	<u>11,994,100</u>	<u>(11,991,975)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$511,111,792	\$156,779,093	\$354,332,699	\$0	\$0	31.9
Increase/(Decrease)	\$29,434,447	\$21,712,510	\$7,721,937	\$0	\$0	0.0
Percentage Change	6.1%	16.1%	2.2%	n/a	n/a	0.0%

Description of Requested Changes

R1 Funding for Unclaimed Property leased office space: The request includes an increase of \$1,733 cash funds from the Unclaimed Property Trust Fund for the lease with CIO Logan Tower.

R2 Investment tools – Bloomberg and S&P: The request includes an increase of \$4,480 General Fund for costs associated with the Bloomberg and S&P investment tools used by the Department’s investment officers.

R3 Investment tools – BondEdge: The request includes a decrease of \$26,770 General Fund to replace BondEdge with a more efficient and cost effective system and to provide training for transitioning investment staff.

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NP1 Secure Colorado: The request seeks an increase of \$1,050 General Fund for FY 2016-17 to cover the Department's share of the Office of Information Technology's implementation of advanced information security event analytics capabilities. *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on November 20, 2015.*

Highway Users Tax Fund (HUTF) adjustment: The request shows, for informational purposes, a \$19.7 million increase in cash funds for distribution of HUTF revenues to counties and municipalities; based on the Legislative Council September 2015 forecast.

Senior Citizen and Disabled Veteran Property Tax Exemption adjustment: The request includes a \$9.7 million increase in General Fund for reimbursement to local governments for lost property tax revenues; based on the Legislative Council September 2015 forecast.

Operating common policy adjustments: The request includes adjustments to centrally appropriated line items for Capitol Complex lease space. *This request item will be addressed in a separate staff briefing for the Department of Personnel on December 9, 2015.*

Compensation-related common policy adjustments: The request includes adjustments to centrally appropriated line items for compensation including the following: salary survey and merit pay; health, life, and dental; worker's compensation; and short-term disability. *This request item will be addressed in a separate staff briefing on Salary and Personnel Benefits on December 9, 2015.*

OIT common policy adjustments: The request includes adjustments to centrally appropriated line items for the purchase of services from the Governor's Office of Information Technology (OIT). *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on November 20, 2015.*

Federal mineral lease adjustment: The appropriation includes an increase of \$12.0 million General Fund and a corresponding decrease in cash funds from the Higher Education Federal Mineral Lease Revenues Fund for certificates of participation for academic facilities. *This request will be addressed in a separate staff briefing for the Department of Higher Education on December 10, 2015.*

Issue: Senior Citizen and Disabled Veteran Property Tax Exemption

The Colorado Constitution grants a property tax exemption to qualifying senior citizens and disabled veterans, exempting 50.0 percent of the first \$200,000 of actual home value. The Senior Citizen and Disabled Veteran Property Tax Exemption is administered by the Department of Local Affairs; however, the estimated General Fund expenditures are included in the Department of Treasury's budget for informational purposes.

SUMMARY:

- Current law provides a property tax exemption of 50.0 percent of the first \$200,000 of actual residence value to qualifying senior citizens and disabled veterans.
- The Senior Citizen and Disabled Veteran Property Tax Exemption line item is reflected in the Department of the Treasury's section of the budget for informational purposes only. The state is required to reimburse counties the total amount of exempted property regardless of the amount identified in the Long Bill.
- Current law requires that funds identified in the Senior Citizen and Disabled Veteran Property Tax Exemption line item of the Long Bill that exceed total warrants reimbursed to counties in a given fiscal year be transferred to the Senior Services Account within the Older Coloradans Cash Fund.
- FY 2014-15 reimbursements to counties totaled \$116.9 million General Fund. In addition, in FY 2014-15, \$1.5 million was transferred from the General Fund to the Senior Services Account within the Older Coloradans Cash Fund.
- Historical data indicate an average increase in the number of qualifying seniors at 7.0 percent per year. While the qualifying disabled veteran population averages a slightly lower increase of 6.4 percent per year, it comprises approximately 2.0 percent of the total number of eligible exemptions.
- Based on projected population increases, Staff estimates that, under current law, the liability to the state for this reimbursement will be approximately \$137.7 million in FY 2016-17 – approximately \$134.8 million of which will be for senior citizens.

RECOMMENDATION:

Based on JBC Staff projections through FY 2019-20, **Staff recommends that the Committee consider sponsoring a bill to lower the maximum amount of residence value that is exempt from taxation to 50.0 percent of the first \$100,000 of actual residence value for qualifying senior citizens. Staff recommends maintaining the current exemption of 50.0 percent of the first \$200,000 of actual residence value for qualifying disabled veterans.**

Staff also recommends that this sponsored legislation include a provision that requires 5.0 percent of funds identified in the Long Bill in excess of those actually reimbursed to

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counties be transferred to a program that provides services for disabled veterans (i.e. the Mental Health, Employment, Housing and Other Veterans Services line item in the Department of Military and Veterans Affairs, Division of Veterans Affairs).

DISCUSSION:

Background

Section 3.5 of Article X of the Colorado Constitution grants a property tax exemption to qualifying senior citizens and disabled veterans. Pursuant to Sections 39-3-201 to 208, C.R.S., this provision exempts 50.0 percent of the first \$200,000 of actual home value from property tax and requires the State Treasurer to reimburse local governments for the resulting lost property tax revenues. The exemption applies if (a) the property owner-occupier is sixty-five years of age or older as of the assessment date and has occupied the property as a primary residence for the past ten years; or (b) the owner-occupier is the spouse or surviving spouse of an owner-occupier who previously qualified for the exemption. The passage of Referendum E extended the exemption to honorably discharged veterans with a 100 percent permanent service-connected disability beginning in tax year 2007.

The constitution grants the General Assembly the power to raise or lower the maximum amount of residence 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 to \$0 for seniors for tax years 2003, 2004, and 2005, and again for tax years 2009 (S.B. 09-276), 2010, and 2011 (S.B. 10-190), thereby eliminating the associated state expenditures for fiscal years 2003-04 through 2005-06 and fiscal years 2009-10 through 2011-12. The exemption for disabled veterans remained intact. Warrants paid to counties each year since FY 2012-13, when the value of a senior’s home that is eligible for exemption was raised, has continued to increase steadily as a greater percentage of the population age into the 65 and over age bracket. In FY 2012-13, \$102.7 million in warrants were paid to counties. Warrants for FY 2015-16 are estimated at nearly \$133.0 million – a 29.5 percent increase over four years.

Senior Citizen and Disabled Veteran Homestead Property Tax Exemption					
	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
	Actual	Actual	Actual	Actual	Estimated
Number of Exemptions Granted					
Senior Citizens /a	0	182,905	197,598	207,457	217,263
Disabled Veterans	3,362	3,649	3,829	4,235	4,648
Total	3,362	186,554	201,427	211,692	221,911
Exempted Actual Value					
Senior Citizens /a	\$0	\$15,088,560,545	\$16,010,118,503	\$16,848,725,408	\$18,982,809,430
Disabled Veterans	269,347,199	288,938,096	307,559,717	423,531,944	398,092,193
Total	\$269,347,199	\$15,377,500,000	\$16,317,678,220	\$17,272,257,352	\$19,380,901,623

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Senior Citizen and Disabled Veteran Homestead Property Tax Exemption					
	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
	Actual	Actual	Actual	Actual	Estimated
Percent of Residences Granted Exemption					
Senior Citizens /a	0	9.90%	10.82%	11.15%	11.68%
Disabled Veterans	0.18%	0.20%	0.21%	0.23%	0.25%
Total	0.0018	10.09%	11.03%	11.38%	11.93%
Property Taxes Exempted					
Senior Citizens /a	\$0	\$100,821,732	\$107,723,840	\$114,234,918	\$130,301,002
Disabled Veterans	1,756,475	1,906,309	2,083,129	2,646,365	2,691,450
Total	\$1,756,475	\$102,728,041	\$109,806,969	\$116,881,283	\$132,992,452
Average Value of Exemption	\$522	\$551	\$545	\$552	\$599

/a The Senior Citizen Exemption was not available for FY 2009-10 through FY 2011-12. The numbers reported for exemptions granted refer to the number that county assessors had approved. County assessors continued taking applications for the exemption throughout the period where the exemption was set at \$0.

TABOR and General Fund Appropriation Limits

Section 3.5 (3) of Article X of the Colorado Constitution states that approval of this section by the voters statewide constitutes a voter-approved revenue change to allow the maximum amount of state fiscal year spending for the 2001-02 state fiscal year to increase by \$44.1 million. It also states that this amount is to be included in the state fiscal year spending for that year for the purpose of calculating subsequent state fiscal year spending limits, and as a result specifies that these payments are subject to the TABOR limitation on fiscal year spending. This section also states that these payments are not subject to any statutory limitation on General Fund appropriations because the enactment of this section constitutes voter approval of a weakening of any such limitation. The costs associated with the exemption are treated outside of the statutory limit and are not built into the funding base used to calculate the limit for subsequent fiscal years.

Transfer of Funds Specified in Long Bill not Expended

Pursuant to Section 39-3-207 (4) (a), C.R.S., and in accordance with Section 3.5 of Article X of the State Constitution, no later than April 15th of each year the State Treasurer shall issue a warrant to each county treasurer for the amount needed to fully reimburse all local governmental entities within the county for the amount of property tax revenues lost as a result of the application of the property tax exemption. Because the state is required to fully reimburse local governmental entities within each county, the amount appropriated annually in the Senior Citizen and Disabled Veteran Property Tax Exemption line item of the Long Bill is provided for informational purposes only and is based on the March Economic Forecast. Amounts *exceeding* the total identified in the Long Bill appropriation are reimbursed to counties from the General Fund in their entirety. Pursuant to H.B. 12-1326, as of June 30, 2013, if reimbursements to local entities total *less* than the amount specified in the Long Bill for each fiscal year, the excess funds are transferred to the Senior Services Account within the Older Coloradans Cash Fund. In fiscal years 2012-13 and 2013-14 no transfer was required as the amount identified in the Long Bill exceeded the total amount of warrants issued. In FY 2014-15, \$1.5 million was transferred from

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the General Fund to the Senior Services Account because the total amount of actual warrants issued to counties was below the amount identified in the Long Bill. The following table provides information on these required transfers.

HB 12-1326 Transfers from the Senior Citizen and Disabled Veteran Property Tax Exemption line item to the Senior Services Account in the Older Coloradoans Cash Fund			
	SCDVTE Line Item Amount in Long Bill	Actual Warrants Issued	Notes
FY 2011-12	\$1,700,000	\$1,756,475	Only includes Disabled Veterans (prior to passage of HB 12-1326); data from FY 2013-14 Department of the Treasury budget request
FY 2012-13	\$98,500,000	\$102,728,041	Transfer is not required as the actual amount issued exceeds the amount in the annual general appropriations act by \$4.2 million; data from FY 2013-14 Department of the Treasury budget request
FY 2013-14	\$105,200,000	\$109,806,969	Transfer is not required as the actual amount issued exceeds the amount in the annual general appropriations act by \$4.6 million; data from FY 2013-14 Department of Local Affairs, June 2014
FY 2014-15	\$118,400,000	\$116,880,518	Transfer is required. The amount identified in the Long Bill exceeds the actual amount of issued warrants by \$1.5 million; data from the Department of the Treasury
FY 2015-16	\$126,000,000		Warrants to be issued no later than April 15, 2016

August 2015 Audit Findings

In August of 2015, the Office of the State Auditor released its findings on the performance audit of the Senior Citizen and Disabled Veteran Property Tax Exemption Program. The audit includes an evaluation of the process through which the Department of the Treasury reimburses counties for lost property taxes as a result of this exemption. Briefly, after exemptions are approved by both the county assessor’s office and the Department of Local Affairs (DOLA), counties send a report to the State Treasurer identifying the amount to be paid to each county by April 15th of each year. Auditors concluded that DOLA is unable to identify some non-qualifying exemptions because statute limits its review of applications to looking for multiple applications by the same person or couple. In addition, the State Treasurer has reimbursed counties for non-qualifying or possibly non-qualifying exemptions because there is no mechanism to determine whether or not the report sent to the Treasurer is accurate prior to warrants being issued. Finally, there is no mechanism for the State Treasurer to recover funds paid to counties for non-qualifying exemptions. The auditors determined that the state reimbursed counties a total of \$169,000 for non-qualifying exemptions; and \$25.3 million for

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exemptions that *may* not qualify during tax year 2013. Without statutory changes that will allow DOLA to more closely monitor exemptions, and that will allow the State Treasurer to recover funds paid for non-qualifying exemptions, it will be difficult to determine the level of savings the state might expect in this program. These changes are under consideration with the Legislative Audit Committee.

Senior Citizen Exemption Projections for the Future

Though the state may experience a savings as a result of a modified approval process, cost projections for this program continue to increase as the baby boomer population ages into the 65 and over demographic. This increase is expected to continue through 2029 until those individuals born in 1964 turn 65. Staff has prepared the following table containing cost projections for the senior citizen portion of this exemption. Projections differ from those provided in the September 2015 Legislative Council Economic and Revenue Forecast because the forecast contains projections for both the senior exemption and the disabled veteran exemption. Based on the historical average, Staff has assumed a 7.0 percent increase in reimbursements for senior citizen property tax exemptions.

Senior Citizen Homestead Property Tax Exemption (JBC Staff Projections)						
	FY 14-15	FY 15-16	FY 16-17	FY 2017-18	FY 2018-19	FY 2019-20
	Actual	Estimate	Projected	Projected /i	Projected	Projected
Total Population, State of Colorado /a	5,443,613	5,538,581	5,635,874	5,735,248	5,835,498	5,935,920
Annual percent increase	1.7%	1.7%	1.8%	1.8%	1.7%	1.7%
65+ Population, State of Colorado /a	714,464	748,098	783,572	820,431	857,773	895,874
Percent of total	13.1%	13.5%	13.9%	14.3%	14.7%	15.1%
Annual percent increase /c	4.9%	4.7%	4.7%	4.7%	4.6%	4.4%
65+ population that owns/occupies home /d	562,283	596,982	622,679	650,784	682,184	711,678
Percent of 65+ home owners (estimate)	79%	80%	79%	79%	80%	79%
Number of Exemptions Granted /e	207,457	217,263	232,471	248,744	266,157	284,787
Percent of senior population granted exemptions	29.0%	29.0%	29.7%	30.3%	31.0%	31.8%
Annual percent increase	5.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Percent of owner/occupiers granted exemption	36.9%	36.4%	37.3%	38.2%	39.0%	40.0%
Annual percent increase	1.6%	(1.4%)	2.6%	2.4%	2.1%	2.6%
Percent of Residences Granted Exemption /f	11.15%	11.68%	12.26%	12.9%	13.5%	14.2%
Annual percent increase	3.0%	4.8%	5.0%	5.0%	5.0%	5.0%
Exempted Actual Value	\$16,848,725,408	\$18,982,809,430	\$20,064,829,568	\$21,208,524,853	\$22,417,410,769	\$23,695,203,183

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Senior Citizen Homestead Property Tax Exemption (JBC Staff Projections)						
	FY 14-15	FY 15-16	FY 16-17	FY 2017-18	FY 2018-19	FY 2019-20
	Actual	Estimate	Projected	Projected /i	Projected	Projected
Annual percent increase /g	5.2%	12.7%	5.7%	5.7%	5.7%	5.7%
Property Taxes Exempted /h	\$114,234,918	\$126,000,000	\$134,820,000	\$144,257,400	\$154,355,418	\$165,160,297
Percent of actual value	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Annual percent increase	6.0%	10.3%	7.0%	7.0%	7.0%	7.0%

/a Total Population and 65+ Population totals obtained from the Department of Local Affairs (DOLA) Demographers Office, https://dola.colorado.gov/demog_webapps/pagCategory.jsf

/b Annual growth rates are based on DOLA projections identified in *Aging in Colorado, July 2012*.

/c Annual growth rate for the 65+ population is estimated to be 7.0 percent through 2020; however the State Demographer's website provided projected data that is lower than the 7.0 percent.

/d Percent of 65+ homeowners obtained from the U.S. Census Bureau. The national average is provided above.

/e Actual and estimated values for property tax exemptions in FY 12-13, FY 13-14, and FY 2014-15 provided by the DOLA, November 2014.

/f Percent of residences granted exemption provided by Department of Local Affairs

/g Staff has calculated a 5.7 percent increase in exempted actual value.

/h "Property Taxes Exempted" represents the amount of warrants issued by the state to reimburse counties for lost property taxes. The percent of actual value of this exemption is has consistently been 0.7 percent. Staff assumes the continuation of this percentage.

/i Legislative Council Economists project the FY 2016-17 exemptions to be \$139.3 million; and FY 2017-18 exemptions to be \$148.9 million.

As indicated in the above table, under current law projected tax reimbursements to counties are anticipated to increase an average of over \$10.0 million each year over the next four years. If the rate of increase continues to average 7.0 percent, the state is likely to experience a liability exceeding \$200.0 million by FY 2022-23. The following analysis provides estimated costs of future reimbursements if the General Assembly approved a reduction in the maximum amount of senior citizen owned residence value that is exempt from taxation, while maintaining the full exemption value for disabled veterans.

Senior Citizen and Disabled Veteran Homestead Property Tax Exemption JBC Staff Analysis					
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
	Estimated	Projected	Projected	Projected	Projected
Eligible Exemptions under current law (50.0% of first \$200,000)					
Senior Citizens	217,263	232,471	248,744	266,157	284,787
Disabled Veterans	4,648	4945	5262	5599	5957
Total Projected Eligible Exemptions	221,911	237,417	254,006	271,755	290,745
Projected Average Reimbursement per exemption	\$579.94	\$579.94	\$579.94	\$579.94	\$579.94
Property Taxes Exempted	\$128,695,572	\$137,688,088	\$147,309,046	\$157,602,369	\$168,615,053
Eligible Exemptions with an average reduction of 25.0% for senior citizens (50.0% of first \$150,000)					
Senior Citizens	n/a	232,471	248,744	266,157	284,787
Disabled Veterans	n/a	4945	5262	5599	5957
Total Projected Eligible Exemptions	n/a	237,417	254,006	271,755	290,745
Projected (Effective) Average Reimbursement per exemption	n/a	\$416.46	\$416.44	\$416.44	\$416.44

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Senior Citizen and Disabled Veteran Homestead Property Tax Exemption JBC Staff Analysis					
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
	Estimated	Projected	Projected	Projected	Projected
Property Taxes Exempted	n/a	\$98,874,635	\$105,778,421	\$113,169,763	\$121,077,657
Eligible Exemptions with an average reduction of 50.0% for senior citizens (50.0% of first \$100,000)					
Senior Citizens	n/a	232,471	248,744	266,157	284,787
Disabled Veterans	n/a	4945	5262	5599	5957
Total Projected Eligible Exemptions	n/a	237,417	254,006	271,755	290,745
Projected (Effective) Average Reimbursement per exemption	n/a	\$281.83	\$281.80	\$281.80	\$281.80
Property Taxes Exempted	n/a	\$66,911,200	\$71,579,001	\$76,580,634	\$81,931,812
Eligible Exemptions with an average reduction of 75.0% for senior citizens (50.0% of first \$50,000)					
Senior Citizens	n/a	232,471	248,744	266,157	284,787
Disabled Veterans	n/a	4945	5262	5599	5957
Total Projected Eligible Exemptions	n/a	237,417	254,006	271,755	290,745
Projected (Effective) Average Reimbursement per exemption	n/a	\$146.87	\$146.82	\$146.82	\$146.82
Property Taxes Exempted	n/a	\$34,869,417	\$37,293,218	\$39,899,108	\$42,687,114
Eligible Exemptions with an average reduction of 100.0% for senior citizens (50% of first \$0.00)					
Senior Citizens	n/a	232,471	248,744	266,157	284,787
Disabled Veterans	n/a	4945	5262	5599	5957
Total Projected Eligible Exemptions	n/a	237,417	254,006	271,755	290,745
Projected (Effective) Average Reimbursement per exemption	n/a	\$12.08	\$12.08	\$12.08	\$12.08
Property Taxes Exempted	n/a	\$2,867,996	\$3,068,397	\$3,282,804	\$3,512,194

Staff Recommendation

Current law provides a property tax exemption of 50.0 percent of the first \$200,000 of actual residence value to qualifying senior citizens and disabled veterans. The expected increase in the 65 and over population during the next 14 years coupled with the constitutional requirement that counties are reimbursed for the total amount of exempted property tax regardless of the amount indicated in the Long Bill will result in an increasing liability for the state. Historical data indicate an average increase in the number of qualifying seniors at 7.0 percent per year. While the qualifying disabled veteran population averages a slightly lower increase of 6.4 percent per year, it comprises approximately 2.0 percent of the total number of eligible exemptions. Based on projected population increases, Staff estimates that, under current law, the liability to the state for this reimbursement will exceed \$200.0 million by FY 2022-23 – approximately \$198.3 million of which will be for senior citizens.

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Based on these projections, **Staff recommends that the Committee consider sponsoring a bill to lower the maximum amount of residence value that is exempt from taxation to 50.0 percent of the first \$100,000 of actual residence value for qualifying senior citizens. Staff recommends maintaining the current exemption of 50.0 percent of the first \$200,000 of actual residence value for qualifying disabled veterans.** Those ages 65 and older tend to be retired and, according to the AARP Public Policy Institute, typically have lower incomes than those between the ages of 50 and 64. They also experience a greater house cost burden with 48.0 percent of homeowners with mortgages (26.0 percent of the population) and 17.0 percent of those without mortgages (54.0 percent of the population) in this age group reporting housing costs at 30.0 percent or above their income – a value that is considered to be unsustainable.² As a result of these data, Staff recommends maintaining a portion of the property tax exemption for senior citizens as opposed to reducing the exempted actual residence value to \$0.00.

Current law also requires that funds identified in the Senior Citizen and Disabled Veteran Property Tax Exemption line item of the Long Bill that exceed total warrants reimbursed to counties in a given fiscal year be transferred to the Senior Services Account within the Older Coloradans Cash Fund. Because disabled veterans are also beneficiaries of this exemption, **Staff recommends that the Committee consider sponsoring legislation that requires 5.0 percent of this excess to be transferred to a program that provides services for disabled veterans (i.e. the Mental Health, Employment, Housing and Other Veterans Services line item in the Department of Military and Veterans Affairs, Division of Veterans Affairs).**

² Harrell, R. (2011, August). Housing for Older Adults: The Impacts of the Recession. Retrieved November 16, 2015, from AARP Public Policy Institute: <http://assets.aarp.org/rgcenter/ppi/liv-com/insight53.pdf>

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Appendix A: Number Pages

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
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DEPARTMENT OF THE TREASURY
Walker Stapleton, State Treasurer

(1) ADMINISTRATION

Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash funds are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.

Personal Services	<u>1,259,638</u>	<u>1,343,341</u>	<u>1,372,760</u>	<u>1,399,784</u>
FTE	14.6	14.3	16.4	16.4
General Fund	186,914	332,005	419,804	446,828
Cash Funds	1,072,724	1,011,336	952,956	952,956
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Health, Life, and Dental	<u>189,431</u>	<u>223,108</u>	<u>250,896</u>	<u>256,548</u>
General Fund	79,927	110,313	130,196	147,408
Cash Funds	109,504	112,795	120,700	109,140
Short-term Disability	<u>3,301</u>	<u>4,038</u>	<u>4,405</u>	<u>3,646</u>
General Fund	1,950	2,198	2,749	2,234
Cash Funds	1,351	1,840	1,656	1,412
S.B. 04-257 Amortization Equalization Disbursement	<u>62,108</u>	<u>73,996</u>	<u>88,094</u>	<u>93,898</u>
General Fund	36,472	40,833	54,955	57,537
Cash Funds	25,636	33,163	33,139	36,361

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	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>55,983</u>	<u>69,307</u>	<u>85,092</u>	<u>92,920</u>	
General Fund	32,839	38,281	53,082	56,938	
Cash Funds	23,144	31,026	32,010	35,982	
Salary Survey	<u>57,620</u>	<u>50,822</u>	<u>21,842</u>	0	
General Fund	34,834	27,444	13,631	0	
Cash Funds	22,786	23,378	8,211	0	
Merit Pay	<u>34,197</u>	<u>25,999</u>	<u>28,354</u>	0	
General Fund	19,956	14,040	17,110	0	
Cash Funds	14,241	11,959	11,244	0	
Workers' Compensation and Payment to Risk					
Management and Property Funds	<u>2,258</u>	<u>2,793</u>	<u>2,682</u>	<u>2,836</u>	
General Fund	2,258	2,793	2,682	2,836	
Cash Funds	0	0	0	0	
Operating Expenses	<u>173,357</u>	<u>174,364</u>	<u>184,734</u>	<u>162,444</u>	*
General Fund	173,357	174,364	184,734	162,444	
Cash Funds	0	0	0	0	
Information Technology Asset Maintenance	<u>11,020</u>	<u>11,336</u>	<u>12,568</u>	<u>12,568</u>	
General Fund	4,736	5,123	6,284	6,284	
Cash Funds	6,284	6,213	6,284	6,284	
Legal Services	<u>24,956</u>	<u>9,760</u>	<u>54,631</u>	<u>54,631</u>	
General Fund	0	8,799	27,316	27,316	
Cash Funds	24,956	961	27,315	27,315	

*This line item contains a decision item.

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	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Capitol Complex Leased Space	<u>69,017</u>	<u>0</u>	<u>76,324</u>	<u>56,292</u>	
General Fund	69,017	0	76,324	56,292	
Cash Funds	0	0	0	0	
Payments to OIT	<u>0</u>	<u>60,629</u>	<u>31,277</u>	<u>44,417</u>	*
General Fund	0	60,629	31,277	44,417	
Cash Funds	0	0	0	0	
CORE Operations	<u>101,116</u>	<u>96,537</u>	<u>85,635</u>	<u>157,829</u>	
General Fund	45,502	43,441	38,536	71,023	
Cash Funds	55,614	53,096	47,099	86,806	
Charter School Facilities Financing Services	<u>3,722</u>	<u>3,861</u>	<u>5,000</u>	<u>5,000</u>	
Cash Funds	3,722	3,861	5,000	5,000	
Discretionary Fund	<u>1,114</u>	<u>3,530</u>	<u>5,000</u>	<u>5,000</u>	
General Fund	1,114	3,530	5,000	5,000	
Purchase of Services from Computer Center	<u>53,902</u>	<u>53,766</u>	<u>0</u>	<u>0</u>	
General Fund	53,902	53,766	0	0	
Cash Funds	0	0	0	0	
Colorado State Network	<u>11,275</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	11,275	0	0	0	
Cash Funds	0	0	0	0	
Information Technology Security	<u>680</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	680	0	0	0	
Cash Funds	0	0	0	0	

*This line item contains a decision item.

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	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (1) Administration	2,114,695	2,207,187	2,309,294	2,347,813	1.7%
<i>FTE</i>	<u>14.6</u>	<u>14.3</u>	<u>16.4</u>	<u>16.4</u>	<u>0.0%</u>
General Fund	754,733	917,559	1,063,680	1,086,557	2.2%
Cash Funds	1,359,962	1,289,628	1,245,614	1,261,256	1.3%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
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(2) UNCLAIMED PROPERTY PROGRAM

This program collects unclaimed property and attempts to locate and return it to the legal owners or heirs. Funding source is the Unclaimed Property Trust Fund.

Personal Services	<u>768,642</u>	<u>813,316</u>	<u>849,766</u>	<u>867,065</u>	
FTE	14.2	15.1	15.5	15.5	
General Fund	0	0	0	0	
Cash Funds	768,642	813,316	849,766	867,065	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>119,320</u>	<u>118,401</u>	<u>414,932</u>	<u>414,932</u>	
Cash Funds	119,320	118,401	414,932	414,932	
Promotion and Correspondence	<u>198,995</u>	<u>197,795</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	198,995	197,795	200,000	200,000	
Leased Space	<u>51,689</u>	<u>55,456</u>	<u>57,189</u>	<u>58,922</u>	*
General Fund	0	0	0	0	
Cash Funds	51,689	55,456	57,189	58,922	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Contract Auditor Services	<u>995,790</u>	<u>945,848</u>	<u>800,000</u>	<u>800,000</u>	
Cash Funds	995,790	945,848	800,000	800,000	

*This line item contains a decision item.

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	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (2) Unclaimed Property Program	2,134,436	2,130,816	2,321,887	2,340,919	0.8%
<i>FTE</i>	<u>14.2</u>	<u>15.1</u>	<u>15.5</u>	<u>15.5</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	2,134,436	2,130,816	2,321,887	2,340,919	0.8%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
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(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; allocate a portion of the Highway Users Tax Fund (HUTF) to local governments; and reimburse certain property taxes owed or paid for real and business personal property destroyed in a natural disaster. The General Fund appropriation for the Senior Citizen and Disabled Veteran Property Tax Exemption is exempt from the statutory limits on General Fund appropriations.

Senior Citizen and Disabled Veteran Property Tax Exemption	<u>109,804,536</u>	<u>118,400,000</u>	<u>126,000,000</u>	<u>135,695,533</u>	*
General Fund	109,804,536	118,400,000	126,000,000	135,695,533	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Highway Users Tax Fund - County Payments	<u>190,616,697</u>	<u>200,577,838</u>	<u>196,571,562</u>	<u>208,476,193</u>	*
Cash Funds	190,616,697	200,577,838	196,571,562	208,476,193	
Highway Users Tax Fund - Municipality Payments	<u>130,405,845</u>	<u>136,864,866</u>	<u>134,479,724</u>	<u>142,254,331</u>	*
Cash Funds	130,405,845	136,864,866	134,479,724	142,254,331	
Property Tax Reimbursement for Property Destroyed by Natural Cause	<u>0</u>	<u>1,096,496</u>	<u>2,221,828</u>	<u>2,221,828</u>	
General Fund	0	1,096,496	2,221,828	2,221,828	
Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S.	<u>0</u>	<u>0</u>	<u>17,773,050</u>	<u>17,775,175</u>	*
General Fund	0	0	5,781,075	17,775,175	
Cash Funds	0	0	11,991,975	0	

*This line item contains a decision item.

JBC Staff Budget Briefing: FY 2016-17
Staff Working Document - Does Not Represent Committee Decision

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (3) Special Purpose	430,827,078	456,939,200	477,046,164	506,423,060	6.2%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	109,804,536	119,496,496	134,002,903	155,692,536	16.2%
Cash Funds	321,022,542	337,442,704	343,043,261	350,730,524	2.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - Department of the Treasury	435,076,209	461,277,203	481,677,345	511,111,792	6.1%
<i>FTE</i>	<u>28.8</u>	<u>29.4</u>	<u>31.9</u>	<u>31.9</u>	<u>0.0%</u>
General Fund	110,559,269	120,414,055	135,066,583	156,779,093	16.1%
Cash Funds	324,516,940	340,863,148	346,610,762	354,332,699	2.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix B: **Recent Legislation Affecting Department Budget**

2014 Session Bills

H.B. 14-1001 (Property Tax Reimbursement for Property Destroyed by a Natural Cause): Provides a property tax reimbursement for real or business property listed on a single schedule that was destroyed by a natural cause, including a fire, explosion, flood, tornado, action of the elements, act of war or terror, or similar cause beyond the control of and not caused by the property owner. This property tax reimbursement is for tax years beginning on or after January 1, 2013, and is subject to reimbursement from the state in an amount equal to the property tax liability applicable to the destroyed property in the property tax year in which the natural cause occurred. Directs the State Treasurer to issue a reimbursement warrant to the applicable county upon receipt of a report from a county treasurer verifying the total amount of property tax in the county eligible for reimbursement. Subject to annual appropriation by the General Assembly.

H.B. 14-1248 (Supplemental Bill): Supplemental appropriation to the Department of the Treasury to modify FY 2013-14 appropriations included in the FY 2013-14 Long Bill (S.B. 13-230).

H.B. 14-1336 (Long Bill): General appropriations act for FY 2014-15.

2015 Session Bills

S.B. 15-164 (Supplemental Bill): Supplemental appropriation to the Department of the Treasury to modify FY 2014-15 appropriations included in the FY 2014-15 Long Bill (H.B. 14-1336).

S.B. 15-234 (Long Bill): General appropriations act for FY 2015-16.

S.B. 15-288 (Compensation Paid to Elected Officials): Effective January 2019, replaces the existing fixed dollar salaries listed in statute for certain state officials and state legislators with a new method for determining salaries that aligns them to certain judicial officers' salaries. The State Treasurer's salary will be equal to 58.0 percent of the salary paid to most county court judges. For additional information, see the "Recent Legislation" section at the end of the Governor – Lieutenant Governor – State Planning and Budgeting.

Appendix C: **Update on Long Bill Footnotes & Requests for Information**

Requests for Information

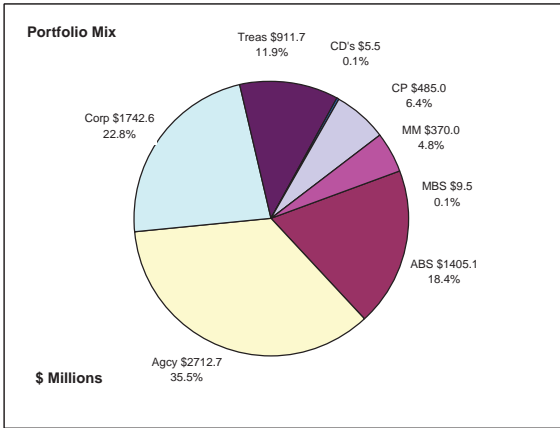
1. **Department of the Treasury, Administration** -- The State Treasurer is requested to submit an annual report to the Joint Budget Committee concerning the performance of the state's investments. The report should include comparisons to relevant benchmarks and a detailed discussion of the benchmarks. This report should be submitted as a part of the State Treasurer's annual budget request.

Comment: The State Treasurer included the requested report as part of the State Treasurer's annual budget request. The document includes data for a number of funds and portfolios, including: the Treasury Pool Combined as well as its constituent parts; the State Education Fund; the Major Medical Insurance Fund; the Public School Permanent Fund; and the Unclaimed Property Trust Fund. The report contains information concerning the value of each fund/portfolio, asset allocation, monthly yield, average maturity, and graphs that compare monthly performance against identified benchmarks. A copy of the reports for each of these funds is included at the back of this appendix.

2. **Department of the Treasury, Unclaimed Property Program** – The State Treasurer is requested to submit an annual report to the Joint Budget Committee concerning the progress of implementation of the new information systems (KAPS, LexisNexis) for which the Department has received funding; and on the workload measures these systems are intended to improve. The report should be submitted as a part of the State Treasurer's annual budget request; and should include but need not be limited to annual comparisons of the following:
 - a. Average number of claims processed per year, by claim type (A, B, C, and D);
 - b. Average number of contacts per claim;
 - c. Average time per contact; and
 - d. Total value of each claim type (A, B, C, and D) per year.

Comment: As of this date, the State Treasurer has not provided a response to this Request for Information.

Colorado Treasury Pool Combined June 30, 2015



Portfolio Value

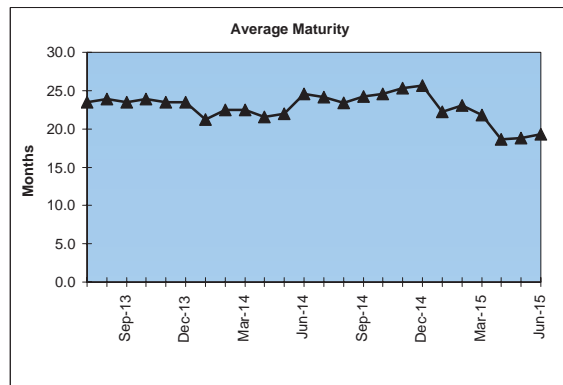
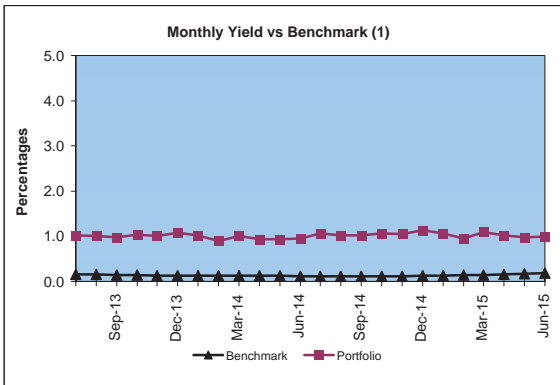
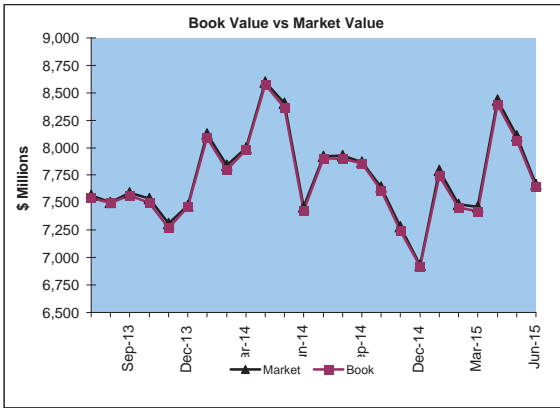
Market Value \$7,667.3 Million
Book Value \$7,642.1 Million

Yield and Average Maturity

Portfolio Book Yield 1.0%
Portfolio Average Maturity 19.3 Months

Portfolio Quality

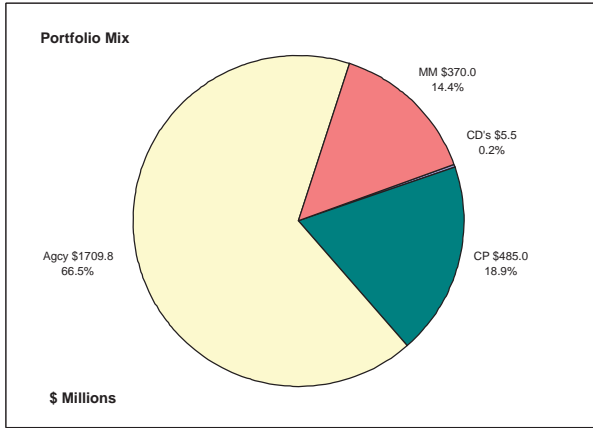
	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							18.4%
Corporates		6.1%	36.9%	50.6%	5.0%	1.4%			22.8%
Mortgage Securities			100.0%						0.1%
Commercial Paper	100.0%								6.4%
Treasuries			100.0%						11.9%
Federal Agencies			98.8%	1.2%					35.5%
Certificates of Deposit								100.0%	0.1%
Money Market Funds								100.0%	4.8%
Total Portfolio	6.4%	19.8%	55.5%	12.0%	1.1%	0.3%		4.9%	100.0%



	\$ Millions		Book Yield	Performance Benchmarks (2)
	Average Portfolio	Realized Income		
FY '15 YTD	7,661.9	79.2	1.0%	0.2%
Last 12 months	7,661.9	79.2	1.0%	0.2%
FY '14	7,842.0	77.4	1.0%	0.1%
FY '13	7,157.7	78.3	1.1%	0.2%
FY '12	6,442.3	89.5	1.4%	0.2%
FY '11	5,718.6	113.0	2.0%	0.3%
FY '10	5,717.7	139.0 ³	2.4%	0.4%
Avg FY '10-14	6,575.7	99.4	1.6%	0.2%

(1) 12 month moving average of the constant maturity yield on the 1 year Treasury note
(2) 12 month moving average of the constant maturity yield on the 1 year Treasury note at end of period
(3) Excludes \$5.5 million in losses on sale of investments in July 2009.

Colorado Treasury Cash
(0 - 1 year maturities)
 June 30, 2015



Portfolio Value

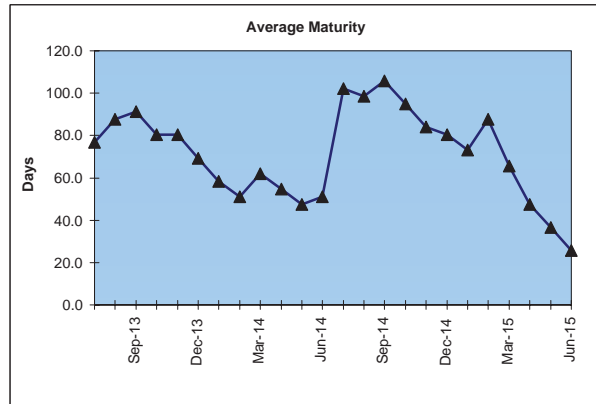
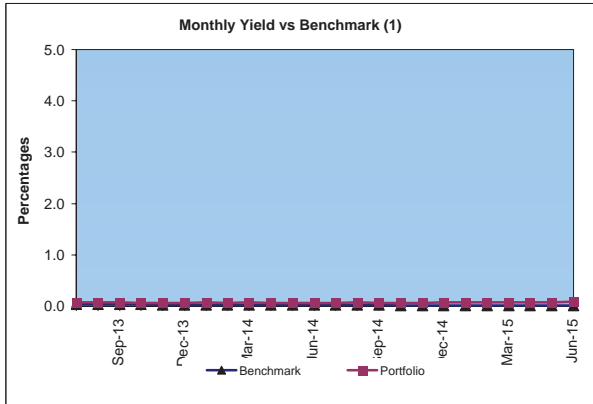
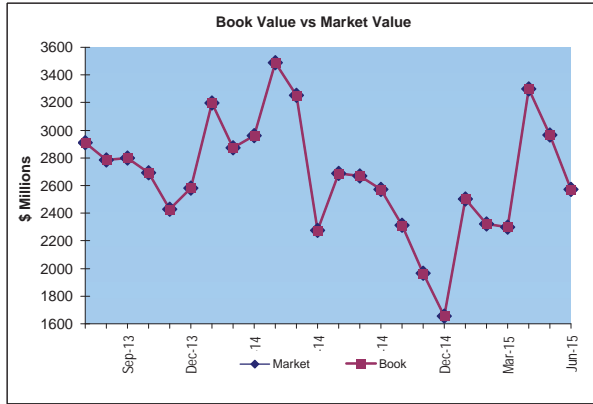
Market Value \$2,570.4 Million
 Book Value \$2,570.3 Million

Yield and Average Maturity

Portfolio Book Yield 0.07%
 Portfolio Average Maturity 26 Days

Portfolio Quality

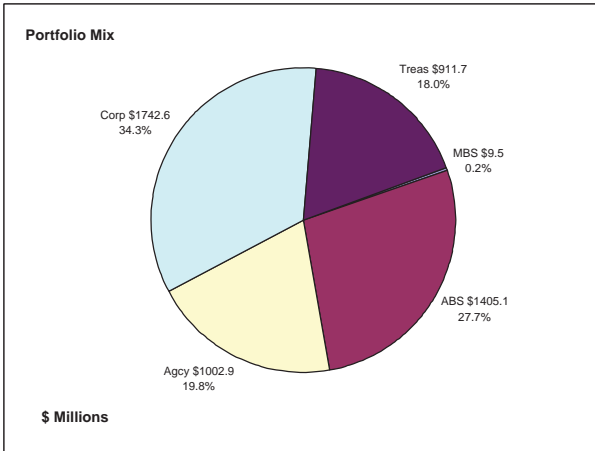
	A1 / P1	AA	Other	Portfolio Percent
Commercial Paper	100.0%			18.9%
Federal Agencies		100.0%		66.5%
Corporates				0.0%
Certificates of Deposit			100.0%	0.2%
Money Market Funds			100.0%	14.4%
Total Portfolio	18.9%	66.5%	14.6%	100.0%



	\$ Millions		Book Yield	Performance Benchmarks (2)
	Average Portfolio	Realized Income		
FY '15 YTD	2,467.4	1.8	0.07%	0.01%
Last 12 months	2,467.4	1.8	0.07%	0.01%
FY '14	2,970.8	2.0	0.07%	0.03%
FY '13	3,223.2	3.5	0.11%	0.05%
FY '12	3,135.5	2.6	0.08%	0.03%
FY '11	2,355.2	3.2	0.14%	0.10%
FY '10	2,013.9	4.1	0.20%	0.09%
Avg FY '10-'14	2,739.7	3.1	0.12%	0.06%

(1) 12 month moving average of the 30 day Treasury bill
 (2) 12 month moving average of the 30 day Treasury bill at end of period

Colorado Treasury Pool
(1 - 5 year maturities)
June 30, 2015



Portfolio Value

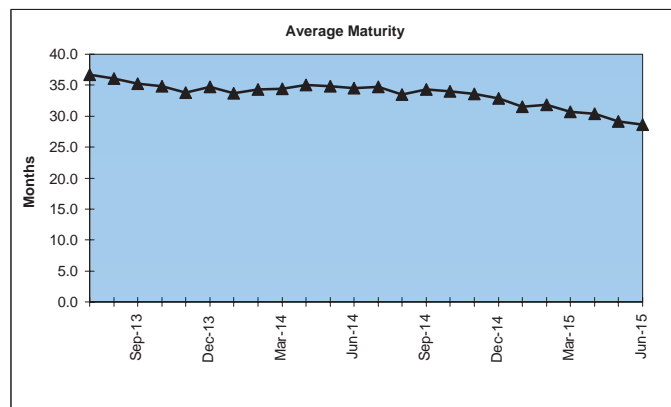
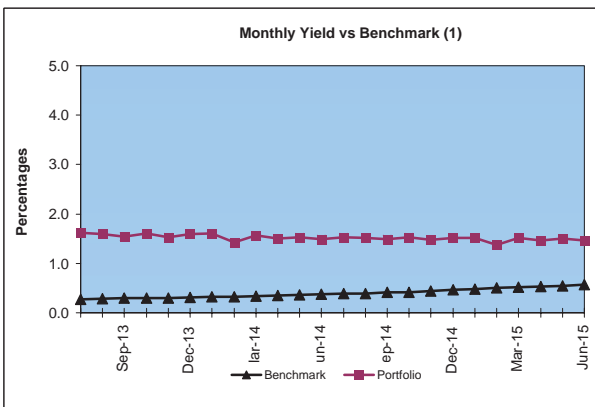
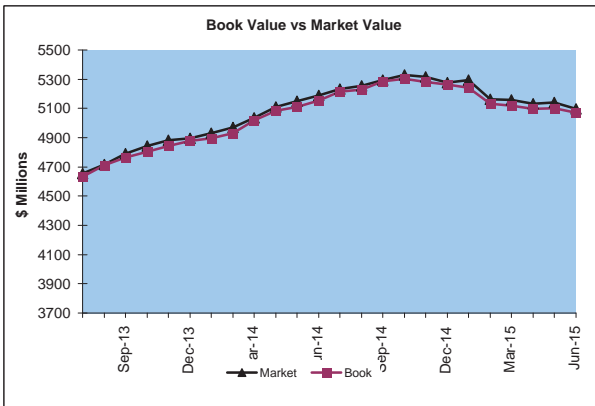
Market Value \$5,096.9 Million
 Book Value \$5,071.8 Million

Yield and Average Maturity

Portfolio Book Yield 1.5%
 Portfolio Average Maturity 28.7 Months

Portfolio Quality

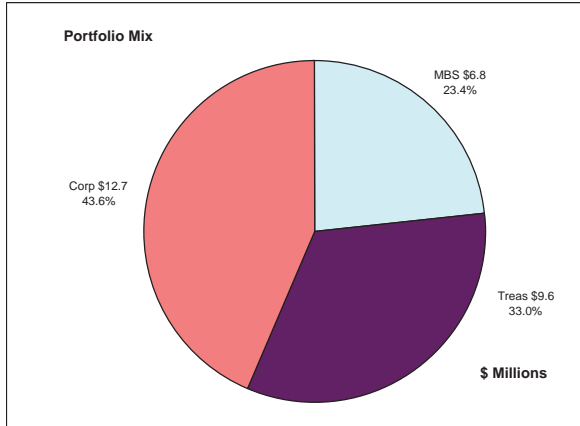
	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed	100.0%							27.7%
Corporates	6.1%	36.9%	50.6%	5.0%	1.4%			34.3%
Mortgage Securities		100.0%						0.2%
Treasuries		100.0%						18.0%
Federal Agencies		96.7%	3.3%					19.8%
Total Portfolio	29.8%	50.0%	18.0%	1.7%	0.5%			100.0%



	Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '15 YTD	5,194.5	77.4	1.5%	0.6%
Last 12 months	5,194.5	77.4	1.5%	0.6%
FY '14	4,871.2	75.4	1.6%	0.4%
FY '13	3,934.5	74.8	1.9%	0.3%
FY '12	3,306.8	86.9	2.6%	0.3%
FY '11	3,363.5	109.8	3.3%	0.6%
FY '10	3,703.9	134.9 ³	3.6%	0.9%
Avg FY '10-'14	3,836.0	96.3	2.6%	0.5%

(1) 12 month moving average of the constant maturity yield on the 2 year Treasury note
 (2) 12 month moving average of the constant maturity yield on the 2 year Treasury note at end of period
 (3) Excludes \$5.5 million in losses on sale of investments in July 2009.

Colorado Major Medical Insurance Fund
June 30, 2015



Portfolio Value (1)

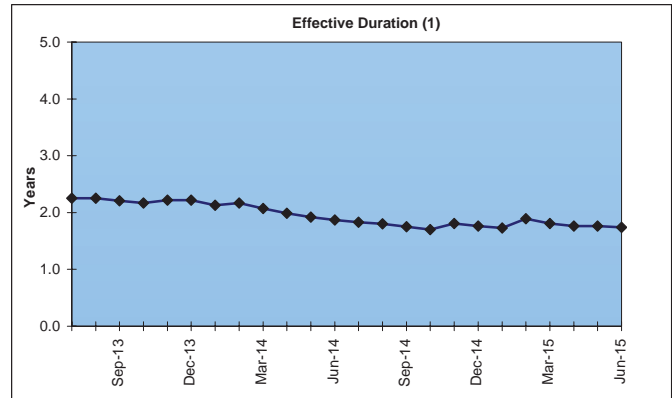
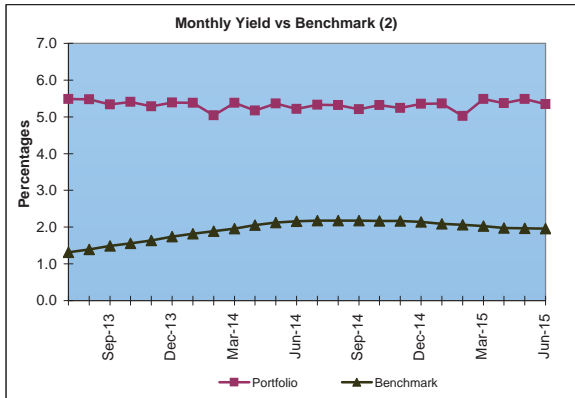
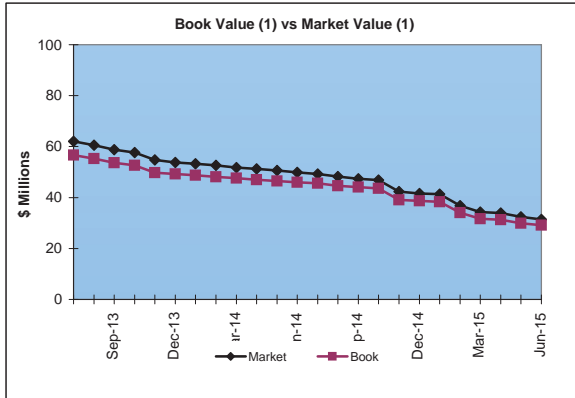
Market Value \$31.4 Million
Book Value \$29.1 Million

Yield and Effective Duration

Portfolio Book Yield 2.9%
Portfolio Effective Duration (1) 1.7 Yrs

Portfolio Quality (1)

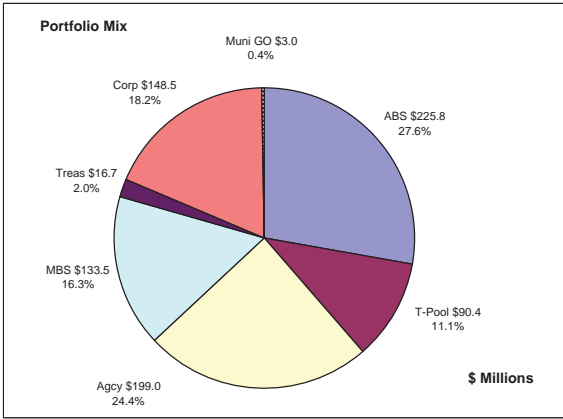
	AAA	AA	A	BBB	BB	Portfolio Percent
Asset Backed						0.0%
Corporates	15.8%	39.4%	40.9%	3.9%		43.6%
Federal Agencies						0.0%
Mortgage Securities		100.0%				23.4%
Treasuries		100.0%				33.0%
Total Portfolio	6.9%	73.5%	17.9%	1.7%		100.0%



	\$ Millions		Book	Performance
	Average Portfolio	Realized Income	Yield	Benchmarks (3)
FY '15 YTD	87.7	2.5 ⁵	2.9%	2.0%
Last 12 months	87.7	2.5 ⁵	2.9%	2.0%
FY '14	90.7	3.1	3.4%	2.2%
FY '13	89.7	3.9	4.3%	1.2%
FY '12	99.4	4.7	4.7%	1.5%
FY '11	120.5	5.5	4.5%	2.4%
FY '10	126.8	6.0 ⁴	4.7%	3.1%
Avg FY '10-'14	105.4	4.6	4.3%	2.1%

- (1) Does not include State Treasury Pool balances in calculation.
- (2) 12 month moving average of the constant maturity yield on the 7 year Treasury note
- (3) 12 month moving average of the constant maturity yield on the 7 year Treasury note at end of period
- (4) Excludes \$0.2 million in losses on sale of investments in July 2009.
- (5) Excludes \$0.1 million in gain on an investment call in March 2015.

Colorado Public School Permanent Fund
June 30, 2015



Portfolio Value

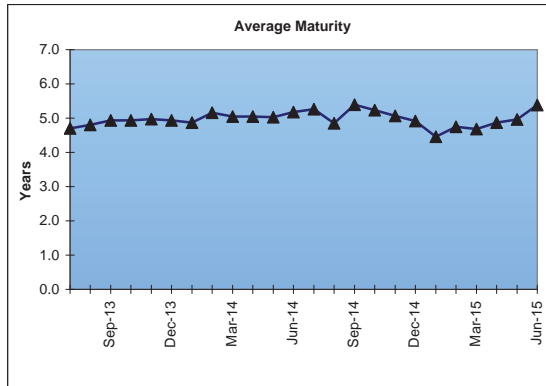
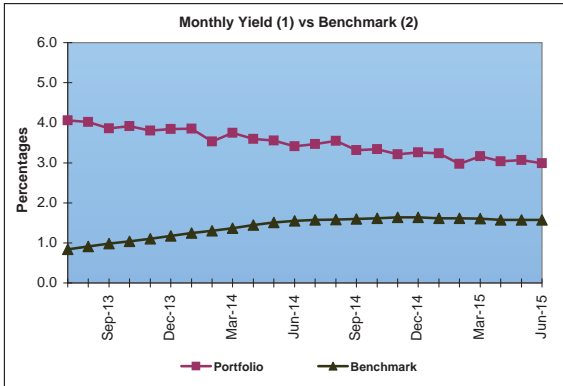
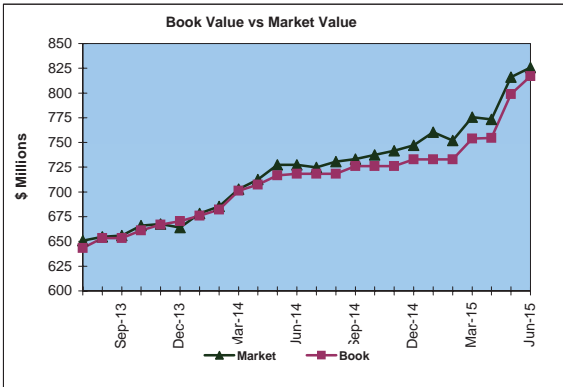
Market Value \$825.9 Million
Book Value \$816.9 Million

Yield and Average Maturity

Portfolio Book Yield 3.0%
Portfolio Average Maturity 5.4 Yrs

Portfolio Quality

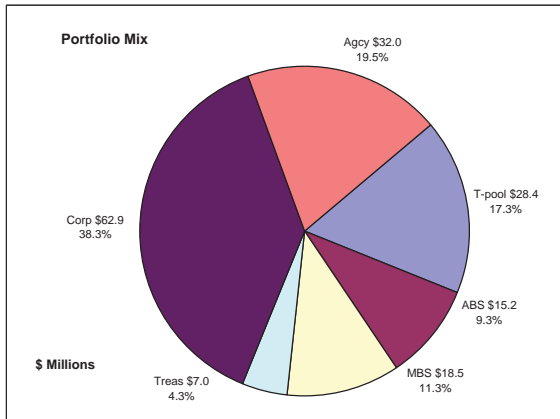
	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed			100.0%						27.6%
Corporates		12.7%	73.5%	9.8%	4.0%				18.2%
Mortgage Securities			100.0%						16.3%
Treasuries			100.0%						2.0%
Federal Agencies			89.7%	10.3%					24.4%
Muni GOs			100.0%						0.4%
T-Pool Combined	6.4%	19.8%	55.5%	12.0%	1.1%	0.3%	0.0%	4.9%	11.1%
Total Portfolio	0.7%	4.5%	87.8%	5.6%	0.9%	0.0%		0.5%	100.0%



	\$ Millions			
	Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (3)
FY '15 YTD	739.8	22.1	3.0%	1.6%
Last 12 months	739.8	22.1	3.0%	1.6%
FY '14	668.8	21.6	3.2%	1.6%
FY '13	622.2	22.4	3.6%	0.8%
FY '12	582.2	24.1	4.1%	1.0%
FY '11	580.7	27.0	4.6%	1.8%
FY '10	580.8	28.5	4.9%	2.4%
Avg FY '10-'14	606.9	24.7	4.1%	1.5%

- (1) Does not include State Treasury Pool balances in calculation.
- (2) Latest 12 month moving average of the constant maturity yield on the 5 year Treasury note
- (3) Latest 12 month moving average of the constant maturity yield on the 5 year Treasury note at end of period

Unclaimed Property Tourism Fund June 30, 2015



Portfolio Value

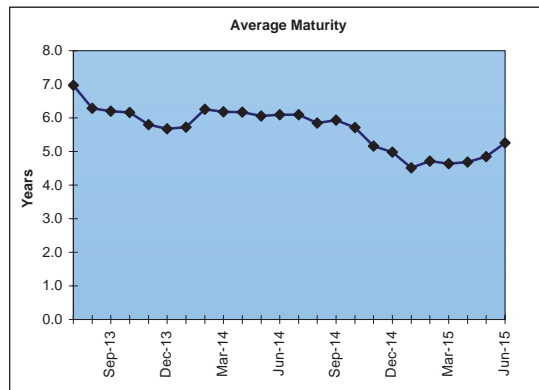
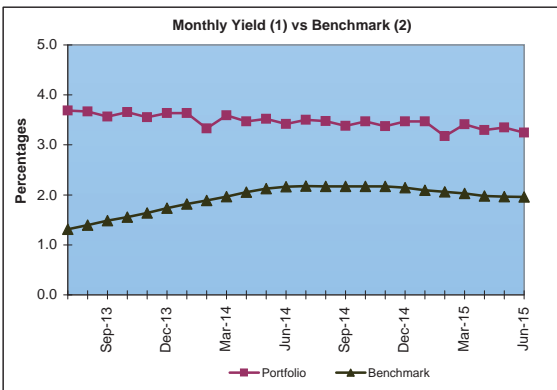
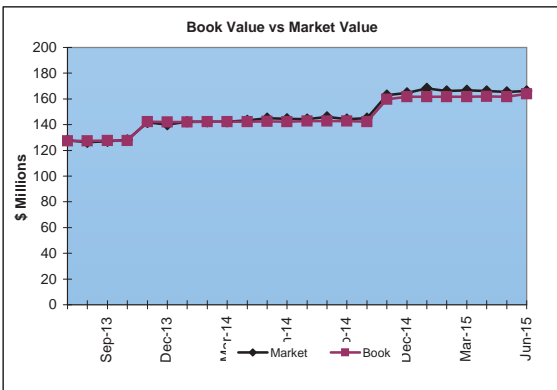
Market Value \$166.1 Million
Book Value \$164.0 Million

Yield and Average Maturity

Portfolio Book Yield 3.0%
Portfolio Average Maturity 5.3 Yrs

Portfolio Quality

	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed									100.0%
Corporates		3.2%	35.0%	53.9%	7.9%				38.3%
Federal Agencies			84.4%	15.6%					19.5%
Mortgage Securities			100.0%						11.3%
Treasuries			100.0%						4.3%
T-Pool Combined	6.4%	19.8%	55.5%	12.0%	1.1%	0.3%	0.0%	4.9%	17.3%
Total Portfolio	1.1%	13.9%	55.1%	25.8%	3.2%	0.1%		0.8%	100.0%



	\$ Millions		Book Yield	Performance Benchmarks (3)
	Average Portfolio	Realized Income		
FY '15 YTD	153.7	4.6	3.0%	2.0%
Last 12 months	153.7	4.6	3.0%	2.0%
FY '14	136.9	4.3	3.1%	2.2%
FY '13	122.9	4.1	3.3%	1.2%
FY '12	114.3	3.8	3.3%	1.5%
FY '11	104.7	3.5	3.4%	2.4%
FY '10	87.9	3.4 ⁴	3.9%	3.1%
Avg FY '10-'14	113.3	3.8	3.4%	2.1%

- (1) Does not include State Treasury Pool balances in calculation.
- (2) 12 month moving average of the constant maturity yield on the 7 year Treasury note
- (3) 12 month moving average of the constant maturity yield on the 7 year Treasury note at end of period
- (4) Excludes \$.2 million in losses on sale of investments in July 2009.

Appendix D: FY 2014-15 SMART Act Annual Performance Report and FY 2015-16 Performance Plan

Pursuant to Section 2-7-205 (1) (b), C.R.S., the Department of the Treasury is required to publish an Annual Performance Report by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. The FY 2014-15 Annual Performance Report for the Department of the Treasury is unavailable as of the date of this briefing.

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., the Department of the Treasury is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. The FY 2015-16 performance plan for the Department of the Treasury is unavailable as of the date of this briefing.