COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2014-15 STAFF BUDGET BRIEFING

DEPARTMENT OF TREASURY

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

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TABLE OF CONTENTS

DEPARTMENT OF TREASURY

Department Overview

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.
- Transfers moneys to the Colorado State Education Fund.
- Transmits moneys from the Unclaimed Property Trust Fund to the Adult Dental Fund.

The State Treasurer provides banking and investment services for all funds deposited with the State Treasury. While maintaining sufficient funds in cash accounts to meet the State's daily cash needs, deposits are invested in statutorily authorized investments. The income earned on investments augments the State's revenues from taxes and fees to decrease the tax burden on Colorado citizens. The Treasury Department consists of three sections: (1) Administration; (2) the Unclaimed Property Division; and (3) a Special Purpose unit.

In addition to overall management of the Department, the Administration section is responsible for accounting, cash management, and investments. The Investments section manages all the State's investment portfolios, including: the Treasurer's Pooled Funds; the Public School Permanent Fund; the Major Medical Insurance Fund; the Colorado State Education Fund; the Unclaimed Property Trust Fund; and the Unclaimed Property Tourism Promotion Trust Fund.

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; the value of securities is held in the Unclaimed Property Tourism Promotion Trust Fund. Administration of the program is funded through the Unclaimed Property Trust Fund, while the value of returned property is funded through either the Unclaimed Property Trust Fund or the Unclaimed Property Tourism Promotion Trust Fund. In FY 12-13, the Unclaimed Property Division returned $22.6 million to nearly 15,000 claimants, and since the program's inception, it has returned more than $275 million.

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

- The Senior Citizen and Disabled Veterans Property Tax Exemption from the General Fund;
- The Adult Dental Fund from the Unclaimed Property Trust Fund;
- Payments to the Colorado State Education Fund from the General Fund (Exempt); and
- Disbursements of Highway Users Tax Fund proceeds to the counties and municipalities in the State.

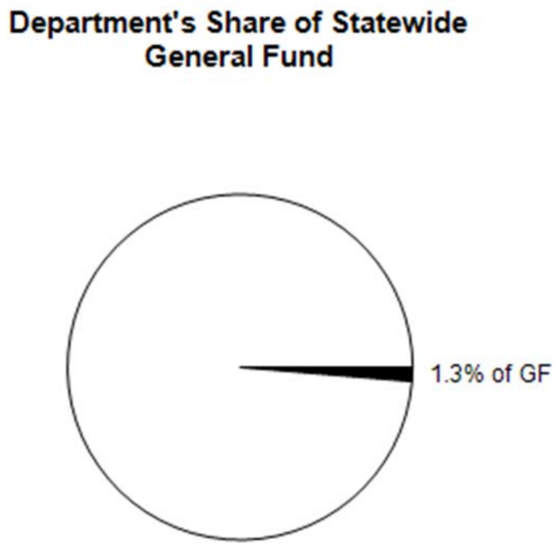
These programs, which are created in the State Constitution or statutes, are appropriated in the Department of the Treasury Section of the Long Bill, but are *pass-through* programs in which the Treasury disburses or transfers moneys, but does not administer the programs. The programs are described in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

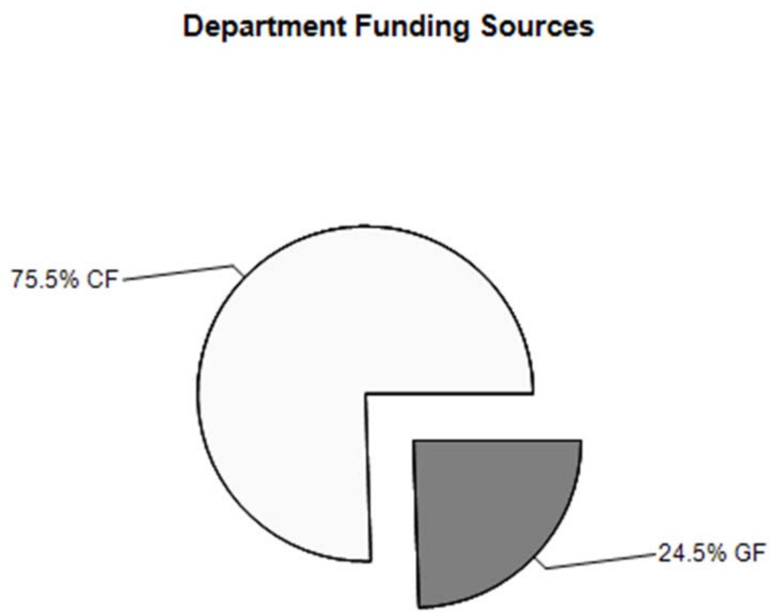
Department Budget: Recent Appropriations

Funding Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 *
General Fund	$7,903,000	$109,314,351	$106,171,325	$118,238,429
Cash Funds	358,523,119	369,594,954	327,531,656	317,141,323
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Total Funds	**$366,426,119**	**$478,909,305**	**$433,702,981**	**$435,379,752**
Full Time Equiv. Staff	31.5	31.5	31.9	31.9

*Requested appropriation.

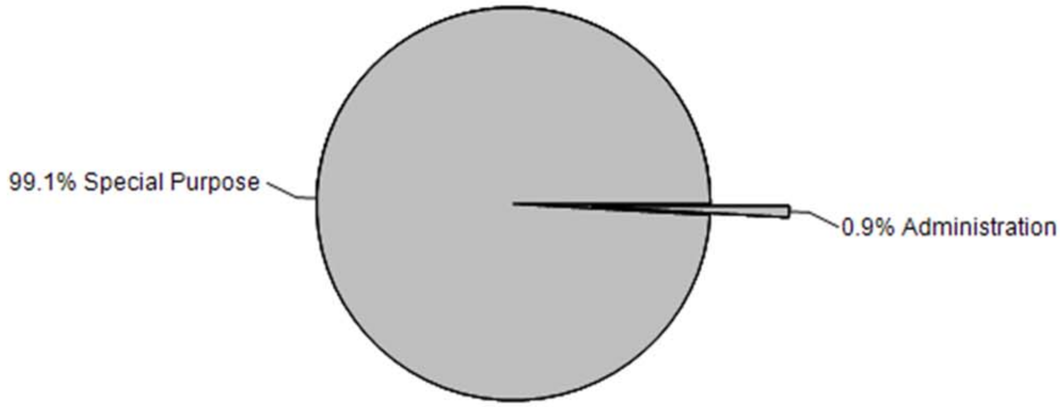
Department Budget: Graphic Overview



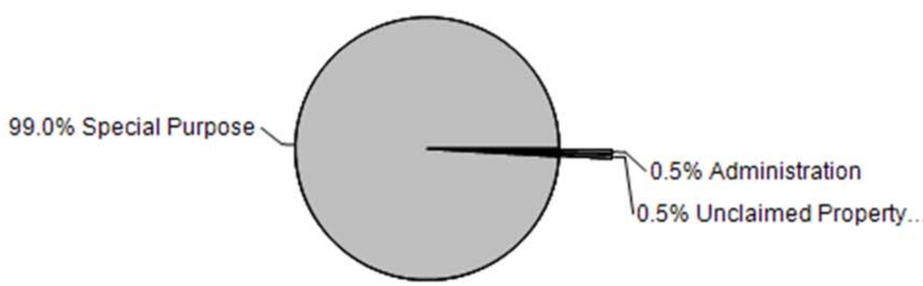


All charts are based on FY 2013-14 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on FY 2013-14 appropriation.

General Factors Driving the Budget

The Department's FY 2014-15 budget request consists of 27.0 percent General Fund, and 73.0 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 percent of the first $200,000 of actual home value. The State Treasurer is required 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. Pursuant to the passage of Referendum E, beginning in tax year 2007, the exemption also applies if the property owner-occupier is a disabled veteran, 100 percent permanent service-connected disability as determined by the U.S. Department of Veteran Affairs, as of the assessment date.

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 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, 2004-05, 2005-06, 2009-10, 2010-11, and 2011-12. The table on the following page provides information on the exemptions granted from FY 2009-10 through FY 2012-13, as well as estimates for FY 2013-14.

These payments are subject to the TABOR limitation on fiscal year spending[1], but are not subject to the statutory limit on General Fund appropriations. 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. Estimated General Fund expenditures are included in the Department of Treasury's budget for informational purposes.

[1] The provision specified that voter approval of the measure constituted a voter-approved revenue change, thereby allowing the TABOR limit for FY 2001-02 to increase by $44.1 million. The provision further specified 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.

Senior Citizen and Disabled Veteran Homestead Property Tax Exemption	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Estimated
Number of Exemptions Granted					
Senior Citizens /a	0	0	0	182,905	196,139
Disabled Veterans	3,122	3,012	3,362	3,649	3,819
Total	3,122	3,012	3,362	186,554	199,958
Exempted Actual Value					
Senior Citizens /a	$0	$0	$0	$15,088,560,545	$17,158,739,503
Disabled Veterans	211,183,290	249,884,832	269,347,199	288,938,096	$306,217,556
Total	$211,183,290	$249,884,832	$269,347,199	$15,377,498,641	$17,464,957,059
Percent of Residences Granted Exemption					
Senior Citizens /a	0	0	0	9.90%	10.74%
Disabled Veterans	0.20%	0.20%	0.18%	0.20%	0.21%
Total	0.20%	0.20%	0.18%	10.10%	10.95%
Property Taxes Exempted					
Senior Citizens /a	$0	$0	$0	$100,821,732	$109,516,583
Disabled Veterans	1,333,604	1,574,580	1,756,475	1,906,309	$2,063,525
Total	$1,333,604	$1,574,580	$1,756,475	$102,728,041	$111,580,108
Average Value of Exemption	$427	$523	$522	$551	$558

/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.

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 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.[2] 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 is 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. These services are to be funded through the creation of the Adult Dental Fund (ADF) and legislation directs that transfers from the UPTF into the ADF be made to cover the costs of the bill. Transfers for FY 2013-14 are estimated at $10.4 million. Those projected for FY 2014-15 are $22.0 million. The table below provides information on the UPTF's balance.

Fund Balance Projection for Unclaimed Property Trust Fund
($ Millions)

	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Estimated	FY 14-15 Projected
Beginning Balance	$105.7	$105.5	$124.5	$150.5
Net Revenue (Collections less claims)	37.6	52.5	37.0	37.0
Interest Income	1.5	1.3	1.4	2.0
Gross Revenue	$144.8	$159.3	$162.9	$189.5
Unclaimed Property Program Operating Expenses	(2.0)	(2.6)	(2.0)	(2.0)
Transfers to CoverColorado	(37.3)	(32.2)	0.0	NA
Transfers from CoverColorado (H.B. 13-1115)	NA	NA	15.0	NA
Transfers to the Colorado Health Benefit Exchange (H.B. 13-1245)	NA	NA	(15.0)	NA
Transfers to Adult Dental Fund (S.B. 13-242)	NA	NA	(10.4)	(22.0)
Expenses	(39.3)	(34.8)	(12.4)	(24.0)
End Balance	105.5	124.5	150.5	165.5
Required Reserve	(73.2)	(99.5)	(103.7)	(105.7)
Available Balance	$32.3	$25.0	$46.8	$59.8

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 by the department 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 the appropriation 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.

[2] Section 10-5-502, C.R.S.

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 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 the following repayment schedule, including transfers from the General Fund (Exempt) to the State Education Fund.

Transfers to State Education Fund Schedule per S.B. 13-234 (General Fund Exempt)	
Payment Date	**Amount**
April 2014 (FY 13-14)	45,321,079
April 2015 (FY 14-15)	25,321,079
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 2013-14 and FY 2014-15.

Highway Users Tax Fund (HUTF) Revenues and Distributions
($ Millions)

	FY 09-10 Actual \a	FY 10-11 Actual \a	FY 11-12 Actual \a	FY 12-13 Estimate	FY 13-14 Projected \b	FY 14-15 Projected \b
Total Revenues	920.9	938.4	943.3	$937.5	$941.3	$946.0
Annual Percent Change	6.8%	1.9%	0.5%	-0.6%	0.4%	0.5%
Treasury Distributions						
Counties	$182.9	$185.4	$187.1	$184.7	$185.4	$186.3
Municipalities	125.0	127.3	127.4	126.4	$126.9	$127.5

\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 2011-12 actual revenue and against Treasury's distributions to counties and municipalities.

Summary: FY 2013-14 Appropriation & FY 2014-15 Request

Department of the Treasury	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	$495,535,754	$131,492,404	$364,043,350	$0	$0	31.9
Other legislation	(61,832,773)	(25,321,079)	(36,511,694)	0	0	0.0
TOTAL	**$433,702,981**	**$106,171,325**	**$327,531,656**	**$0**	**$0**	**31.9**
FY 2014-15 Requested Appropriation						
FY 2013-14 Appropriation	$433,702,981	106,171,325	$327,531,656	$0	$0	31.9
Prioritized Requests						
R1 LexisNexis Accurint Research Service	30,300	0	30,300	0	0	0.0
R2 Investment Tools	8,503	8,503	0	0	0	0.0
Special Purpose Adjustments						
Senior Citizen and Disabled Veteran Property Tax Exemption Adjustment	12,000,000	12,000,000	0	0	0	0.0
Highway User Tax Fund Adjustment	(10,488,719)	0	(10,488,719)	0	0	0.0
Common Policy and Annualizations						
Compensation-related Common Policy Adjustments	132,420	64,334	68,086	0	0	0.0
OIT Common Policy Adjustment	2,005	2,005	0	0	0	0.0
Operating Common Policy Adjustments	(6,944)	(6,944)	0	0	0	0.0
Prior Year Annualization	(794)	(794)	0	0	0	0.0
TOTAL	**$435,379,752**	**$118,238,429**	**$317,141,323**	**$0**	**$0**	**31.9**
Increase/(Decrease)	$1,676,771	$12,067,104	($10,390,333)	$0	$0	0.0
Percentage Change	0.4%	11.4%	(3.2%)	0.0%	0.0%	0.0%

Description of Requested Changes

R1 LexisNexis Accurint Research Service: The request includes a $30,300 increase in Cash Funds to purchase the Accurint Research Service to improve claims processing and auditing in the Unclaimed Property Program.

R2 Investment Tools: The request includes an $8,503 increase in General Fund to mitigate increased costs associated with the Bloomberg and BondEdge investment tools used by the department's investment officers.

Senior Citizen and Disabled Veteran Property Tax Exemption Adjustment: The request includes a $12.0 million increase in General Fund for reimbursement to local governments for lost property tax revenues; based on the Legislative Council September 2013 forecast.

Highway User Tax Fund (HUTF) Adjustment: The request shows for informational purposes a $10,488,719 decrease in Cash Funds for distribution to counties and municipalities of HUTF revenues; based on the Legislative Council September 2013 forecast.

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; and short-term disability. *This request item will be addressed in a separate staff briefing on Salary and Personnel Benefits on December 16, 2013.*

OIT Common Policy Adjustments: The request includes adjustments to centrally appropriated line items for the following: purchase of services from the computer center; multiuse network payments; management and administration of the Governor's Office of Information Technology (OIT); and communication services payments. *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology on December 18, 2013.*

Operating Common Policy Adjustments: The request includes adjustments to centrally appropriated line items for workers' compensation and Capitol Complex lease space. *This request item will be addressed in a separate staff briefing for the Department of Personnel on December 16, 2013.*

Prior Year Annualizations: The request includes a decrease of $794 total funds to reflect the FY 2014-15 impact of prior year budget actions.

Issue: The Unclaimed Property Program, Research Service Budget Request

Unclaimed property is tangible or intangible property that has not been claimed by its rightful owner for a specific period of time, usually five years. Unclaimed property is reportable in all 50 states and in some Canadian provinces, and includes but is not limited to: savings/checking accounts, uncashed checks, stocks/other securities, mutual funds, utility deposits, overpayments, unused airline tickets, and money orders. The mission of the Unclaimed Property Division is to reunite all owners or their heirs with their unclaimed property. The Department of Treasury has requested $30,300 for the purchase of the LexisNexis Accurint Research Service to improve the program's claims process.

SUMMARY:

- The Unclaimed Property Program (UPP) unites owners or heir with their unclaimed or abandoned property. Since the program's inception in 1987, the UPP has returned $275 million to citizens. In FY 2012-13, the program returned $22.6 million to nearly 15,000 claimants.

- Section C.R.S. 38-13-119 requires that any claim submitted to the UPP be acted upon within 90 days after its filing. If this requirement is not met, the claimant may bring action to establish the claim in a court of competent jurisdiction (within 180 days of filing the claim), naming the administrator as a defendant.

- The current manual claims review process results in a backlog that would require an additional 1,760 hours beyond current staffing levels to mitigate.

- The LexisNexis Accurint Research Service will decrease the amount of contacts UPP staff must make per claim and subsequently allow each claim to be processed in less time. It will also decrease a portion of the program's current operating costs.

- It is estimated that the service will eliminate the claims processing backlog in the program.

DISCUSSION:

The process whereby individuals are reunited with unclaimed property is defined in Section 38-13-110, C.R.S, and begins with the reporting of such by businesses and business associations; public institutions; non-profit entities; hospitals; estates; trusts; and any other legal or commercial entity. Reported property is received and logged by Unclaimed Property Program staff; and the program utilizes television, print, and internet advertising to notify the public. Individuals or businesses can perform an online search to determine if their names are on the list.

Current Process

The claims process begins upon receipt of a signed and notarized claim form and documentation establishing ownership or heirship. Pursuant to Section 38-13-119, C.R.S., claims submitted to the Unclaimed Property Program are required to be acted upon within 90 days of being filed. The department policy is to either pay or deny the claim within 180 days. Claims can be submitted online or via United States mail or fax. According to the department, corresponding through mail often takes several weeks per contact. From FY 2008-09 through FY 2012-13, staff of the Unclaimed Property Program processed an average of 17,900 claims per year. Claim types are determined based on the relative complexity of the filed claim, and for analysis purposes have been broken down into four categories. The simplest claims (type A) typically require one contact, and require an average of five minutes to process. This type of claim comprises approximately 10% of the total claims processed – an average of 1,790 claims per year. By comparison, the most complex claim type (D) requires an average of six contacts per claim resulting in an average processing time of 30 minutes. This type of claim comprises 20% of the total number of claims processed per year – an average of 3,580 claims per year. Claim type B makes up the majority of the claims filed (50%) and totals an average of 8,950 per year. The following table shows the comparison of claim types filed.

Unclaimed Property Program Current Claims Processing by Type a/
FY 08-09 through FY 12-13
(5 year average)

	Type A	Type B	Type C	Type D	TOTAL
Average Number of Claims Processed per year (by claim type)	1,790	8,950	3,580	3,580	17,900
Percent of Total Number of Claims	*10.0%*	*50.0%*	*20.0%*	*20.0%*	*100.0%*
Average Number of Contacts per claim	1	2.5	4	6	NA
Average Time per Contact (in minutes)	5	5	5	5	NA
Average Processing Time per claim (in minutes)	5	12.5	20	30	NA
Total time spent on all claims per year (in minutes)	8,950	111,875	71,600	107,400	299,825
Total time spent on all claims per year (in hours)	149.2	1,864.6	1,193.3	1,790.0	4997.1
Percent of Total Time (by claim type)	*3.0%*	*37.3%*	*23.9%*	*35.8%*	*100%*

a/Claim types reflect the relative complexity of the claim filed: A=simplest, D=most complex.

In addition to processing claims, staff handled an average of 135,000 inquiries and mailed an average of 6,000 letters each year over the past five years. Total time spent on these activities per year is 6,187.5 hours. Combined with the time spent processing unclaimed property claims, currently a total of 11,385 hours per year is required to operate this portion of the program. This equates to 2,070 hours per FTE. There are 5.5 FTE assigned to the claims processing unit of the program. Assuming a maximum productivity per day of 6.7 hours, the number of productive hours per FTE per year totals 1,750. At maximum productivity, the current staff of 5.5 FTE can be expected to spend 9,625 hours processing claims or handling inquiries, resulting in a total backlog of 1,760 total hours or 320 hours per FTE per year.

LexisNexis Unclaimed Funds Solutions
LexisNexis provides computer-assisted legal research services. According to the company's Unclaimed Funds Solutions Executive Summary, its data storehouse contains over 36 billion records from 20,000 disparate sources that map to 585 million unique identities. The technology

provides a comprehensive set of tools that will support the Unclaimed Property Program's staff in locating owners and authenticating claimants. The solution will integrate with existing processes and implementation will result in minimal negative impact. Information provided by the department indicates that the solution will:

- Shorten unclaimed property distribution cycles;
- Increase the number of property owners who are located;
- Allow staff to proactively work to locate owners;
- Provide staff with complete, comprehensive, and accurate information; and
- Reduce the potential risk of fraud.

The solution will reduce the required number of contacts staff must make with each claimant to verify her identity by allowing claims, that would have otherwise had to be handled manually, to be processed online for faster payment.

There are two primary questions that must be answered before returning property to an owner: 1) Is the name provided on the list of unclaimed property owners? 2) Is the person filing the claim who she says she is? Through the online system, a potential claimant can verify the existence of unclaimed property. Upon verification, a series of questions are presented to the individual that will be used to determine that the claimant owns the identity that was input. Authentication is accomplished through the generation of an interactive, multiple-choice knowledge-based questionnaire that uses unique identifiers such as property, telephone, and address history. Quizzes can be designed to match the level of risk associated with the transaction and randomly generated to ensure different questions each time. Once the identity passes authentication, permission is granted for the continuation of the claims process.

The workflow process remains similar to the current program process, including the filing of a claim either online or through a paper form; however it provides for verification and authentication to be achieved effectively, efficiently, and electronically through the use of public record data questions similar to those used by financial institutions. If a claimant cannot access the internet or fails to pass the online quiz, the claimant is asked to contact the Unclaimed Property Program directly to have their information validated by UPP staff. The service would allow the claims manager, claims analysts, and other designated users to submit information such as individual or company names and previous known addresses, and obtain up-to-date addresses, verification of living or deceased status, a list of relatives, and previous addresses.

The need to maintain confidence that personal and financial information is protected against unauthorized use, access, or disclosure is critical. According to the Executive Summary provided by the company, it strives to "meet or exceed federal and state privacy and security requirements at every level." As a contractor with the Internal Revenue Service, the company has successfully completed numerous audits on the security of the technology, platforms, solutions, network, and physical locations.

The LexisNexis solution provides multiple reports that can be used for strategic decision making in program administration. Reports can be generated in the form of dashboards, lists, or detailed information and can be presented as summary or individual transaction reports.

Other States
Texas began using the verification and authentication solutions of the Accurint service in summer 2013. As a result of the improved efficiency and decreased claims processing time, the program expects a substantial increase in the number of claims staff will be able to process. Texas reports a reduction in the claims processing time and the cost associated with mailings. A supervisor stated that it is "one of the best tools [he has] seen" in 20 years of working with Unclaimed Property.

Projected Impact of Research Service on Claims Process

Capacity
The primary impact of utilizing the Accurint research service is found in the specific metric of number of customer contacts. As a result of lowering this value, the total claims processing time is decreased. In comparison with the current process, the service has the potential to reduce the average processing time by 30-50% depending upon claim type. As reflected in the table below, Type C claims will experience the greatest improvement in efficiency.

Unclaimed Property Program Claims Processing by Type a/
(Implementation of Accurint Research Service – Projected)

	Type A	Type B	Type C	Type D	TOTAL
Average Number of Claims Processed per year (by claim type)	1,790	8,950	3,580	3,580	17,900
Percent of Total Number of Claims	*10.0%*	*50.0%*	*20.0%*	*20.0%*	*100.0%*
Average Number of Contacts per claim	1	1.5	2	4	NA
Average Time per Contact (in minutes)	5	5	5	5	NA
Average Processing Time per claim (in minutes)	5	7.5	10	20	NA
Total time spent on all claims per year (in minutes)	8,950	67,125	35,800	71,600	183,475
Total time spent on all claims per year (in hours)	149.2	1,118.7	596.7	1193.3	3,057.9
Percent of Total Time (by claim type)	*4.9%*	*36.6%*	*19.5%*	*39.0%*	*100%*
Total time spent on all claims per year (in hours) without service	**149.2**	**1,864.6**	**1,193.3**	**1,790.0**	**4997.1**
Projected decrease in total claims processing time by using Accurint	***0.0%***	***(40.0%)***	***(50.0%)***	***(33.3%)***	***NA***

a/Claim types reflect the relative complexity of the claim filed: A=simplest, D=most complex.

Based on the above figures, it is projected that with this new service, claims processing and other activities will take 1,717 hours per FTE per year. Compared with the same maximum productivity per FTE per day of 6.7 hours, it is estimated that the backlog of claims will be eliminated and each FTE will have 33 additional hours per year to perform other activities that staff is currently unable to do.

The department believes that not only will this service benefit the claims process; it will also support the audit and compliance sections by providing information for following up on nonreporting companies, selecting potential audit candidates, correcting holder addresses, and locating company principles for follow-up.

Program Cost

The department requests $30,300 cash funds from the Unclaimed Property Fund to purchase the LexisNexis Accurint for Government and Batching [research] Services. The cost for this service is based on use and determined through fees associated with each inquiry. The most recent cost breakdown provided by the program director indicates the following fees:

- $19,500 - Batching service, standard security user query: 13 users @ $125.00 ea per month,
- $10,800 – Individual input query: 24,000 @ $0.45 ea.

There are no hosting, subscription, or maintenance fees associated with this service. The purchase of this service will not result in the need to increase or reduce FTE. The department believes this service will allow the division to perform its duties and mandated responsibilities in a faster, more efficient and more secure manner.

Beyond the efficiency improvements in claims processing, the department expects to see a reduction in program operating costs. Over the past five years, postage costs for the UPP have averaged $44,000 per year. The department estimates that the LexisNexis Accurint service will reduce the number of letters required to be mailed per claim. Conservatively, the estimated reduction in postage costs is expected to be 25% ($11,000). The resulting annual average cost for postage is anticipated to be approximately $33,000.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue addresses the Department of Treasury's goals, objectives, or performance measures in a way that promotes or increases the Department's effectiveness related to its performance plan. The Department's performance plan, as it relates to the Unclaimed Property Program, seeks to automate paper processes to increase efficiencies within the office. This issue addresses the improvement of efficiency of program staff and service delivery to Colorado residents.

Issue: Transfers to the Adult Dental Fund

The Department of Treasury is responsible for providing investment services for funds deposited with the State Treasury. The Unclaimed Property Trust Fund (UPTF) consists of all moneys collected by the Unclaimed Property Program. These funds belong to the owners of unclaimed or abandoned property and are held in trust by the department until such time as the owners can be located and the property returned. Through FY 2013-14, transfers were made from the UPTF to CoverColorado, a nonprofit entity created by the General Assembly in 1991 to offer health insurance coverage to people unable to obtain insurance at a reasonable cost without significant exclusions. With the passage of the federal Patient Protection and Affordable Care Act in 2010, the need for CoverColorado ceased to exist. Pursuant to H.B. 13-1115, CoverColorado was repealed and transfers from the UPTF were halted. In FY 2012-13, S.B. 13-242 required that transfers be made from the UPTF to the newly created Adult Dental Fund.

SUMMARY:

- S.B. 13-242 added dental services for adults to the list of operational services provided in Medicaid and created the Adult Dental Fund.
- The bill established transfers from the Unclaimed Property Trust Fund to the Adult Dental Fund up to the amount necessary to pay unclaimed property claims, maintain a reserve to pay projected future claims, and pay for program operating expenses.
- Projections indicate that the needs of the Adult Dental Program it its fourth year will exceed the funds available for transfer from the Unclaimed Property Trust Fund.
- Claim payments that exceed the available balance in the Unclaimed Property Trust Fund must be covered by the General Fund.

RECOMMENDATION:

Staff recommends the Committee reconsider the funding of the Adult Dental Program with the Unclaimed Property Trust Fund (UPTF) due to the projected increase in the program's caseload and the annual increase in the UPTF reserve.

DISCUSSION:

The Adult Dental Fund Creation
Senate Bill 13-242 added dental services for adults to the list of operational services provided in Medicaid and created the Adult Dental Fund (ADF). Pursuant to this bill, transfers from the Unclaimed Property Trust Fund (UPTF) are to be made to cover the costs of the bill after meeting the UPTF's reserve requirements. The bill allows the fund to retain interest earnings and unexpended moneys at the end of each fiscal year. Based on the program's projected caseload, the current estimate for required transfers for FY 2013-14 and FY 2014-15 are $10.4

million and $22.0 million, respectively. According to the budget office at the Department of Health Care Policy and Financing (HCPF), the pricing for the benefit has not yet been determined. Caseload estimates beyond FY 2014-15 have not yet been calculated.

Section 38-13-116.5, C.R.S, <u>does not specifically limit the amount of moneys that can be transferred from the UPTF to the ADF</u>, except to state that the treasury shall not transfer any moneys necessary for the claims paid, the reserve amount necessary to pay anticipated claims, and publications and correspondence expenses. The amount transferred from the UPTF will be prospective based on estimated costs and will be identified through HCPF's annual budget requests.

According to HCPF, expenditures for the adult dental benefit are likely to increase over time as caseload grows. Caseload for the populations that would be funded with UPTF for this benefit is forecast to grow by approximately 4.2% from FY 2014-15 to FY 2015-16. There is not yet a forecast beyond FY 2015-16 for caseload. Unfortunately, a 4.2% increase in caseload does not translate into a 4.2% increase in expenditure for a single benefit. Pent up demand could be satisfied in FY 2013-14 and FY 2014-15 and result in slower usage growth in the future. The final program design, benefit management, and other factors that influence utilization rates of a benefit will impact costs as well. There has been concern expressed by Legislative Council staff that there is the possibility that in the fourth year, the costs of SB 13-242 will exceed the available funds in the UPTF as caseload increases.

The Unclaimed Property Trust Fund Reserve

According to the Department of Treasury, the methodology for calculating the UPTF reserve was changed at the end of FY 2009-10 after discussions with the State Controller's Office. The Government Finance Officers Association (GFOA), which provides a Certificate of Achievement for Excellent Financial Reporting, informed the State Controller that the old methodology of calculating the reserve was inadequate. Based on historical data dating back to 1997, the department analyzed data on the number and value of actual claims paid and the year the associated revenue was received, and determined that approximately 40 percent of gross revenues received in any given fiscal year will be paid out over a 20-year period. As of June 30, 2010, the 20-year reserve was estimated at $81.3 million, and at $103.6 million as of June 30, 2015. The growth in the reserve is a result of the corresponding growth in revenues collected. In 2010, had the full 20-year estimate been booked, there would not have been enough money to fund the portion of CoverColorado's expenses. It was agreed that the department would book a portion of the June 30, 2010 reserve in the trust fund and gradually increase it until such time that CoverColorado ceased to exist. Upon the repeal of CoverColorado, the department booked the full 20 year estimate in 2013. The reserve changes each fiscal year end as another new year of actual data is added to the calculation. For this upcoming year the reserve is set at $105.7 million as of June 30, 2015. The figures are adjusted based on the actual gross revenues received and on how the historical claims paid data changes. The table below provides information on the transfers from the UPTF to the ADF.

Transfers from the Unclaimed Property Trust Fund to the Adult Dental Fund ($ Millions)	FY 13-14 Estimated	FY 14-15 Projected
UPTF Beginning Balance	$124.5	$150.5
Net Revenue (Collections less claims)	37.0	37.0
Interest Income	1.4	2.0
Gross Revenue	$162.9	$189.5
Required Reserve	(103.7)	(105.7)
Available Balance	$59.2	$83.8
Unclaimed Property Program Operating Expenses	(2.0)	(2.0)
Transfers to CoverColorado	0.0	NA
Transfers from CoverColorado (H.B. 13-1115)	15.0	NA
Transfers to the Colorado Health Benefit Exchange (H.B. 13-1245)	(15.0)	NA
Transfers to Adult Dental Fund (S.B. 13-242)	(10.4)	(22.0)
Expenses	($12.4)	($24.0)
UPTF End Balance	$46.8	$59.8

Comments

The Unclaimed Property Trust Fund consists of moneys that belong to residents of the State of Colorado and are held in trust by the treasurer. Historically, the moneys have been utilized to fund valuable health initiatives. With that, the fund has served a dual role with a portion of it (the reserve) functioning as a trust and the remainder serving as a special revenue fund. The over-utilization of moneys from the UPTF for health-related programming can result in the depletion of the fund in which case the payment of claims would have to be covered by the General Fund. The result will be the need to consider another funding source that provides the long-term sustainability such a program requires to successfully serve Colorado residents.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue addresses the Department of Treasury's goals, objectives, or performance measures in a way that promotes or increases the Department's effectiveness related to its performance plan. The Department's performance plan, as it relates to the fulfilling its mandate to serve as the constitutional custodian of the public’s funds, seeks to ensure the legal, safe, liquid, and flexible investment of those funds..

Issue: CoverColorado Conclusion

CoverColorado is a nonprofit entity created by the General Assembly in 1991 to offer health insurance coverage to people unable to obtain insurance at a reasonable cost without significant exclusions. With the passage of the federal Patient Protection and Affordable Care Act in 2010, the need for CoverColorado ceased to exist. Pursuant to H.B. 13-1115, CoverColorado was repealed and cessation planning began. This planning includes the termination of health care coverage for all participants effective April 1, 2014. In addition, the bill requires the transfer of 25 percent of all remaining CoverColorado funds to the Colorado health benefit exchange Connect for Health Colorado by March 31, 2015.

SUMMARY:

- As of November 1, 2013, CoverColorado membership is reported at 13,430. This includes 3,116 clients who enrolled in the program during calendar year 2013.

- CoverColorado will cease to offer health insurance by April 1, 2014. The program expects operations, including payment of remaining member claims, to conclude by the end of calendar year 2014.

- As of October 31, 2013, 3,408 clients have enrolled in health benefits through Colorado's health benefit exchange, Connect for Health Colorado. Open enrollment in the exchange closes March 31, 2014.

- CoverColorado clients will be eligible to enroll in the exchange through April 2014 because loss of coverage due to the elimination of CoverColorado qualifies as a loss of minimum essential coverage for purposes of enrollment. Beyond that date, CoverColorado clients who have not successfully transitioned to coverage through the exchange or another avenue are at risk for a loss of coverage for the remaining nine months of calendar year 2014.

- Pursuant to H.B. 13-1115 CoverColorado returned $15.0 million to the Unclaimed Property Trust Fund on July 1, 2013. These funds were subsequently transferred to Connect for Health Colorado pursuant to H.B. 13-1245.

- Pursuant to H.B. 13-1115, CoverColorado will transfer 25% of all remaining funds to Connect for Health Colorado by March 31, 2015. This portion of the budget reflects the percentage of funds transferred from the Unclaimed Property Trust Fund. At the time of this brief, CoverColorado estimates the transfer to be approximately $8.8 million.

RECOMMENDATION:

Given the commitment of the General Assembly to ensure health insurance coverage to those individuals deemed "high-risk," and the appropriation of funds to the newly created health benefit exchange, staff recommends that the committee consider establishing an accountability mechanism through which to ensure the enrollment of CoverColorado clients who desire to obtain coverage through the exchange by such time as required to do so in order to begin coverage on April 1, 2014.

DISCUSSION:

As a result of the passage of the federal Patient Protection and Affordable Care Act, individuals termed "high-risk" will have options other than CoverColorado from which to obtain health insurance as of January 1, 2014. H.B. 13-1115 repealed CoverColorado and required the organization's board of directors to develop an orderly cessation plan, including:

- Ending enrollment of new participants after December 1, 2013,
- Terminating health care coverage for all participants effective April 1, 2014,
- Paying or settling all claims for covered services and all other outstanding liabilities by December 31, 2014,
- Reporting the final accounting of program funds to the Division of Insurance in the Department of Regulatory Agencies (DORA) by March 31, 2015, and
- Transferring 25 percent of all remaining funds to Connect for Health Colorado, with the remainder transferred to a Colorado nonprofit foundation selected by the board by March 31, 2015.

CoverColorado Cessation Planning Progress

As part of the cessation plan, CoverColorado has communicated with members beginning in May 2013 to notify them of the impending termination of coverage. Communications have included a mailing on May 31, 2013, and monthly postcards and mass emails. CoverColorado has supported its members by doing the following:

- Providing information on the Patient Protection and Affordable Care Act and its impact on CoverColorado;
- Explaining that members can no longer be denied coverage as of January 1, 2014;
- Providing contact information for Connect for Health Colorado, including the website and phone numbers;
- Encouraging clients to find a broker to assist with the enrollment process;
- Providing suggestions for members to look for their provider(s) in the new plan(s) if this is important to them;
- Posting regularly updated information, FAQs, and links on the CoverColorado website;
- Providing extra support by the Care Manager Nurses to those who need it; and engaging social workers for the neediest members;
- Upon member authorization, coordinating efforts with all the commercial carriers who offer plans on Connect for Health Colorado to help members who need continuity of care as they transition from the CoverColorado Care Manager to the new plan's Care Manager;
- Directly contacting members by phone to ensure that they understand the messages.

In addition, CoverColorado has notified providers of its cessation through fax blasts sent by its third party administrator, Rocky Mountain Health Plans. The first message was sent in October and three more are schedule prior to the end of calendar year 2013. The messages notify providers that CoverColorado is ending operations and that claims will be paid through December 31, 2014.

CoverColorado Members

As of November 1, 2013, CoverColorado reported having 13,430 members, 3,116 of whom enrolled during calendar 2013. The organization will continue to accept applications through November 15, 2013 for coverage to be effective December 1, 2013. No new applications will be accepted beyond this date. CoverColorado staff has encouraged members to enroll with a new plan effective January 1, 2014 and terminate coverage with CoverColorado on December 31, 2013. It is assumed that some members will remain enrolled with CoverColorado through March 2014. The last day of coverage through CoverColorado is March 31, 2014. In order for coverage to be terminated on December 31, 2013, members must notify CoverColorado that they are dropping coverage by December 10, 2013. To terminate coverage on January 31, 2014 or February 28, 2014, members must notify CoverColorado by January 15, 2014 and February 14, 2014, respectively. No notification is necessary in March, as coverage is automatically terminated as of March 31, 2014. Clients who have not successfully transitioned to the exchange or other coverage by March 31, 2014 (the end of the exchange open enrollment period) will be able to enroll during the month of April 2014 (by April 30th) because the loss of coverage is classified as involuntary. Beyond that date it is uncertain what options will be available to them.

It is unknown at this time, how many CoverColorado clients have enrolled in the health exchange and purchased medical insurance to begin in calendar year 2014. Members have been asked to inform CoverColorado if they have purchased other insurance and through what carrier; however, it is not required and many have not done so. CoverColorado is unable to estimate how many of its members will terminate coverage by December 10, 2013. Nor is the organization able to estimate how many of its clients will enroll in coverage through private carriers or through the exchange; however, if clients are eligible for the advanced premium tax credit, the only way to receive it is to enroll through the exchange. CoverColorado does offer a premium discount for members who can prove household income below $50,000. While approximately 22% of CoverColorado's members are eligible for this discount, it is not possible for CoverColorado to project the number of members who will be eligible for Medicaid or other medical assistance under the new guidelines.[3]

Transfers to Connect for Health

Connect for Health Colorado, the state's health benefit exchange, became operational on October 1, 2013. As of October 31, 2013, the exchange reports that 3,408 members have enrolled for benefits to begin January 1, 2014. Open enrollment for the exchange ends March 31, 2014.

A portion of Connect for Health implementation revenue has come from the following sources: a special fee on insurers, insurance premium tax credit donations, and federal grants. In addition, pursuant to H.B. 13-1245, on July 1, 2013, the state treasurer transferred $15.0 million to the

[3] Premium tax credits are available to individuals and families with incomes between 100 percent of the federal poverty line ($23,500 for a family of 4) and 400 percent of the federal poverty line ($92,000 for a family of four) who purchase coverage in the health insurance marketplace. These are also available to lawfully residing immigrants with incomes below 100 percent of the poverty line who are not eligible for Medicaid because of their immigration status. Individuals must be U.S. citizens or lawfully present in the United States. People eligible for Medicare or Medicaid are not eligible for tax credits or employer-sponsored coverage that is considered adequate and affordable.

exchange from the Unclaimed Property Trust Fund (after they were returned to the fund by CoverColorado pursuant to H.B. 13-1115). Finally, H.B. 13-1115 requires that 25% of CoverColorado's remaining funds be transferred to Connect for Health Colorado by March 31, 2015. This portion of CoverColorado's budget reflects the percentage of funds transferred from the Unclaimed Property Trust Fund. Though the current budget of the exchange indicates this revenue to be $8.5 million, CoverColorado estimates the transfer to be approximately $8.8 million at the time of this brief.

CoverColorado: Projected Claims, Administrative Expenses, and Revenues					
Calendar Year	**2011**	**2012**	**2013**	**2014**	**2015**
Membership	13,859	13,872	13,992	0 (by 4/1/14)	0
Growth Rate in Membership	9.00%	0.10%	0.90%	-100.00%	0.00%
Claims and Admin. Expenses	($135,759,151)	($127,607,139)	($134,704,917)	(24,000,000)	0
Revenue and Funding					0
Member Premiums	65,854,692	74,321,742	73,981,988	2777361	0
Transfers from the UPTF	34,694,251	40,000,000	0	0	0
Payments to UPTF (H.B. 13-1115)			(15,000,000)	NA	NA
Payment to Connect for Health (H.B. 13-1115)	NA	NA	NA	NA	(8,800,000)
Fees Assessed to Insurers	34,694,251	40,000,000	0	0	0
Other Sources	7,885,164	7,184,101	1,429,548	161495	0
Total Revenue and Funding	143,128,358	161,505,843	60,411,536	2,938,856	(8,800,000)
Net Change in Fund Balance	$7,369,207	$33,898,704	($74,293,381)	($21,061,144)	($8,800,000)

Staff Concerns

While not all CoverColorado members may choose to enroll in medical benefits through Connect for Health Colorado, every effort should be made to ensure that those who desire to do so are enrolled by the deadline. Possible barriers to this transition may include: the lack of trust in commercial carriers by CoverColorado members (information provided to staff by CoverColorado); fear; confusion; or simply waiting until the deadline is closer. While CoverColorado has provided ongoing transitional support, enrollment in the health benefit exchange remains at only 25% of current CoverColorado membership; and it is likely that not all of those are CoverColorado members. Staff is concerned that at this time there is no quantitative data available on the number of CoverColorado members who have enrolled in insurance through another carrier; nor does their appear to be qualitative data from members that would aid in the development of a targeted relationship-building strategy by other carriers to address the unique needs of transitioning Colorado's high-risk population into other coverage.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue does not address the Department of Treasury's goals, objectives, or performance measures in a way that promotes or increases the Department's effectiveness related to its performance plan.

Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

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 are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	1,228,479	1,265,330	1,294,244	1,337,464	
FTE	14.5	14.4	16.4	16.4	
General Fund	275,680	293,863	341,288	384,508	
Cash Funds	952,799	971,467	952,956	952,956	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Health, Life, and Dental	133,685	176,727	205,040	247,092	
General Fund	35,082	86,325	95,536	113,511	
Cash Funds	98,603	90,402	109,504	133,581	
Short-term Disability	2,751	2,925	3,626	4,329	
General Fund	1,524	1,698	2,275	2,711	
Cash Funds	1,227	1,227	1,351	1,618	
S.B. 04-257 Amortization Equalization Disbursement	43,873	53,086	68,330	78,713	
General Fund	24,461	30,614	42,694	49,007	
Cash Funds	19,412	22,472	25,636	29,706	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization Disbursement	35,227	45,560	61,551	73,794	
General Fund	19,628	26,248	38,407	45,944	
Cash Funds	15,599	19,312	23,144	27,850	
Salary Survey	0	0	57,620	44,764	
General Fund	0	0	34,834	21,063	
Cash Funds	0	0	22,786	23,701	
Merit Pay	0	0	34,197	36,483	
General Fund	0	0	19,956	21,786	
Cash Funds	0	0	14,241	14,697	
Workers' Compensation and Payment to Risk Management and Property Funds	1,769	2,267	2,258	2,792	
General Fund	1,769	2,267	2,258	2,792	
Operating Expenses	169,322	158,022	176,231	184,734 *	
General Fund	169,322	158,022	176,231	184,734	
Information Technology Asset Maintenance	5,131	6,025	12,568	12,568	
General Fund	0	0	6,284	6,284	
Cash Funds	5,131	6,025	6,284	6,284	
Legal Services	43,534	32,807	52,371	52,371	
General Fund	21,767	10,597	26,186	26,186	
Cash Funds	21,767	22,210	26,185	26,185	

*This line item contains a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Purchase of Services from Computer Center	132,060	10,673	53,902	50,584	
General Fund	132,060	10,673	53,902	50,584	
Colorado State Network	0	1,149	11,275	13,063	
General Fund	0	1,149	11,275	13,063	
Capitol Complex Leased Space	55,297	54,835	69,017	61,539	
General Fund	55,297	54,835	69,017	61,539	
COFRS Modernization	0	101,116	101,116	101,116	
General Fund	0	45,502	45,502	45,502	
Cash Funds	0	55,614	55,614	55,614	
Information Technology Security	0	0	680	1,068	
General Fund	0	0	680	1,068	
Management and Administration of OIT	0	0	0	3,147	
General Fund	0	0	0	3,147	
Charter School Facilities Financing Services	3,209	3,454	5,000	5,000	
Cash Funds	3,209	3,454	5,000	5,000	
Discretionary Fund	1,559	736	5,000	5,000	
General Fund	1,559	736	5,000	5,000	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - (1) Administration	1,855,896	1,914,712	2,214,026	2,315,621	4.6%
FTE	14.5	14.4	16.4	16.4	(0.0%)
General Fund	738,149	722,529	971,325	1,038,429	6.9%
Cash Funds	1,117,747	1,192,183	1,242,701	1,277,192	2.8%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

(2) UNCLAIMED PROPERTY PROGRAM

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

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	686,392	753,004	781,790	815,385	
FTE	10.6	13.8	15.5	15.5	
General Fund	0	0	0	0	
Cash Funds	686,392	753,004	781,790	815,385	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	115,498	116,166	131,869	162,169 *	
Cash Funds	115,498	116,166	131,869	162,169	
Promotion and Correspondence	194,387	198,003	200,000	200,000	
Cash Funds	194,387	198,003	200,000	200,000	
Leased Space	46,059	49,460	57,189	57,189	
General Fund	0	0	0	0	
Cash Funds	46,059	49,460	57,189	57,189	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Contract Auditor Services	719,085	1,215,292	800,000	800,000	
Cash Funds	719,085	1,215,292	800,000	800,000	

*This line item contains a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - (2) Unclaimed Property Program	1,761,421	2,331,925	1,970,848	2,034,743	3.2%
FTE	10.6	13.8	15.5	15.5	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	1,761,421	2,331,925	1,970,848	2,034,743	3.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

(3) SPECIAL PURPOSE

The expenditures in this section are included in the Long Bill for informational purposes only - they reflect continuous appropriations required by constitutional provisions or State statutes. The line items: reimburse local governments for property taxes foregone due to the Senior Citizen and Disabled Veteran Property Tax Exemption; transfer money from the Unclaimed Property Trust Fund to CoverColorado; transfer General Fund to the Fire and Police Pension Association (FPPA) "old-hire" pension plans; and allocate a portion of the Highway Users Tax Fund (HUTF) to local governments. The General Fund appropriations are exempt from the statutory limits on General Fund appropriations. The appropriation for the Senior Citizen and Disabled Veteran Property Tax Exemption, the transfer to CoverColorado, and the appropriation for FPPA "old-hire" pension plans are not subject to the TABOR limitations.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Senior Citizen and Disabled Veteran Property Tax Exemption	1,752,486	102,674,552	105,200,000	117,200,000	
General Fund	1,752,486	102,674,552	105,200,000	117,200,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Fire and Police Pension Association - Old Hire Plans	5,321,079	142,409,339	0	0	
General Fund	0	0	0	0	
General Fund Exempt	5,321,079	142,409,339	0	0	
CoverColorado	37,347,125	32,170,565	0	0	
Cash Funds	37,347,125	32,170,565	0	0	
Highway Users Tax Fund - County Payments	187,067,783	184,663,051	192,906,168	186,328,712	
Cash Funds	187,067,783	184,663,051	192,906,168	186,328,712	
Highway Users Tax Fund - Municipality Payments	127,434,702	126,360,900	131,411,939	127,500,676	
Cash Funds	127,434,702	126,360,900	131,411,939	127,500,676	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - (3) Special Purpose	358,923,175	588,278,407	429,518,107	431,029,388	0.4%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	1,752,486	102,674,552	105,200,000	117,200,000	11.4%
General Fund Exempt	5,321,079	142,409,339	0	0	0.0%
Cash Funds	351,849,610	343,194,516	324,318,107	313,829,388	(3.2%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - Department of the Treasury	362,540,492	592,525,044	433,702,981	435,379,752	0.4%
FTE	25.1	28.2	31.9	31.9	0.0%
General Fund	2,490,635	103,397,081	106,171,325	118,238,429	11.4%
General Fund Exempt	5,321,079	142,409,339	0	0	0.0%
Cash Funds	354,728,778	346,718,624	327,531,656	317,141,323	(3.2%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix B: Recent Legislation Affecting Department Budget

2012 Session Bills

S.B. 12-150: Centralizes management of certain state public financing transactions. Requires the state treasurer to act as the issuing manager for certain approved issuances or incurrences of financial obligations by the state acting by and through any state agency. The bill further:

Specifies that the state treasurer has the sole discretion to manage the issuance or incurrence of such financial obligations, except for certain financial obligations of state institutions of higher education, subject to the criteria established in a state public financing policy to be promulgated as required;

- With respect to any state financial obligation, requires the state treasurer to, at minimum, determine the financing structure and term, decide the market timing, and select or hire, as applicable, the state financing team;
- Requires a state agency to provide written notice to the state treasurer of any anticipated issuance or incurrence of a financial obligation;
- Requires a state agency to provide the state treasurer with the information that the state treasurer considers necessary to act as the issuing manager for the issuance or incurrence of financial obligations and to comply with federal and state securities laws and contractual covenants;
- Requires the state treasurer, in performing his or her duties as the issuing manager, to consider any relevant factors that he or she considers necessary to protect the financial integrity of the state;
- Clarifies that the state treasurer is the elected representative and signatory for all forms required by the internal revenue code to be filed in connection with issuances or incurrences of financial obligations by the state acting by and through a state agency;
- Requires the state treasurer to collaborate with the state controller, the office of state planning and budgeting, bond counsel, the attorney general, and the capital development committee in developing and then promulgating by rule a state public financing policy and provides a list of items that must minimally be included in the policy;
- Requires all state institutions of higher education to report specific information to the state treasurer related to financial obligations, the principal amount of which is one million dollars or more, that the treasurer does not manage on an institution's behalf;
- Requires the Department of Transportation to report specific information to the state treasurer related to financial contracts or instruments;
- On and after July 1, 2012, requires the issuance or incurrence of every financial obligation that the state treasurer manages to include a specified amount to be paid to the state treasurer and credited to the state public financing cash fund, to be used to reimburse the state treasurer for verifiable costs incurred in performing or overseeing the state's primary issuance compliance and post-issuance compliance responsibilities over the term of a financial obligation;

- Requires the state treasurer to create and maintain a correct and current inventory of all state-owned real property that is used as leased property or as collateral in any type of financial obligation. The state treasurer must annually provide a copy of the inventory to the capital development committee; and
- Requires a certain group of state agencies to notify the state treasurer when they enter into agreements for an exchange of interest rates, cash flows, or payments as provided in law. The bill also requires a qualified charter school to provide the state treasurer with certain information when the state treasurer authorizes expenditures from the state charter school debt reserve fund or the state charter school interest savings account of the fund.

Reduces the General Fund appropriation for FY 2012-13 to the Department of Personnel, Division of Accounts and Control, Office of the State Controller by $42,961 and 0.5 FTE. Moneys from the State Public Financing Cash Fund are continuously appropriated to the Department of the Treasury, but it is anticipated that the Treasury will expend $28,761 and 0.4 FTE from the Fund.

H.B. 12-1246: Reverses the paydate shift for state employees who are paid on a bi-weekly basis, starting with FY 2012-13. Appropriates $794 to the Department of the Treasury for this purpose.

H.B. 12-1335: General appropriations act for FY 2012-13.

2013 Session Bills

S.B. 13-106: Supplemental appropriation for the Department of the Treasury for FY 2012-13.

S.B. 13-230: General appropriations act for FY 2013-14.

S.B. 13-234: Modifies the state's contribution toward the unfunded liability of old hire pension plans affiliated with the Fire and Police Pension Association (FPPA) by satisfying all outstanding state liabilities with a lump sum payment in FY 2012-13. Provides a transfer of $132,409,339 General Fund to the Old Hire Plan Members' Benefit Trust Fund on May 31, 2013. Provides that the transfers that would have gone to the FPPA will be paid to the State Education Fund (SEF) in consideration for General Fund that would have otherwise been credited to the SEF in FY 2012-13. Transfers to SEF include $45,321,079 General Fund on April 30, 2014, $25,321,079 on April 30th of 2015 through 2018, and $24,991,739 on April 30, 2019.

S.B. 13-242: Adds a dental benefit for adults on Medicaid. Requires the Department of Health Care Policy and Financing to design the benefit with input from stakeholders and implement it by April 1, 2014. Transfers money from the Unclaimed Property Trust Fund to the newly created Adult Dental Fund to pay for the benefit. Appropriates $33.9 million total funds and 1.3 FTE to the Department of Health Care Policy and Financing in FY 2013-14, including a reduction of $0.7 million General Fund, an increase of $11.2 million cash funds, and an increase of $23.4 million federal funds.

H.B. 13-1102: Specifies that the "Unclaimed Property Act" does not apply to unclaimed gift cards where the holder or issuer is a business association with annual gross receipts from the sales or issuance of all gift cards totaling $200,000 or less.

H.B. 13-1115: Provides for the repeal of CoverColorado, effective March 31, 2015. Before the repeal, the act requires the board of directors of CoverColorado to develop an orderly plan for cessation of the program including:

- Cessation of enrollment of new participants for coverage after December 1, 2013;
- Termination of health care coverage for existing participants, effective April 1, 2014;
- Payment or settlement of claims for covered services and all other outstanding liabilities by December 31, 2014; and
- By March 31, 2015, final disposition of all remaining funds in any account of the program, with the payment of 25.0 percent of the remaining funds to the Colorado Health Benefit Exchange and any remaining funds to a Colorado nonprofit foundation with specific instructions for the statewide distribution of the funds to promote access to health care and improve health outcomes for populations in Colorado with high health care needs.

Specifies that effective May 1, 2013, the State Treasurer will end the transmission of moneys from the Unclaimed Property Trust Fund to CoverColorado; requires CoverColorado to transmit $15.0 million dollars to the State Treasurer for deposit into the Unclaimed Property Trust Fund on July 1, 2013; ends tax credits available to insurance companies making contributions to CoverColorado after the 2012 tax year; and reduces by $36,511,694 the cash funds figure shown for informational purposes in the appropriations made to the department of the treasury in the FY 2013-14 Long Bill.

H.B. 13-1205: Provides the State Treasurer with additional flexibility in investing state moneys and disposing of public school fund investments that are losing money as follows:

- Allows the state treasurer to exchange or sell an investment at a loss of principal to the public school fund so long as the loss is offset by a gain on an exchange or sale in the fund within 12 months;
- In accordance with a recommendation of the state auditor, updates statutory language that currently allows the State Treasurer to invest state moneys in domestic securities to allow investment in securities denominated in United States dollars; and
- Allows the state treasurer to invest state moneys in municipal bonds and covered bonds that rated in one of the two highest rating categories by a nationally recognized rating organization.

H.B. 13-1245: Creates two funding mechanisms to support the operations of the Colorado Health Benefit Exchange. Specifies that any funds received from the reserves of CoverColorado under H.B. 13-1115 or from a transfer of the Unclaimed Property Trust Fund must be used to reduce the assessment charged to health plans. Transfers $15.0 million from the Unclaimed Property Trust Fund to the Colorado Health Benefit Exchange at the start of FY 2013-14. This is a one-time transfer of funds.

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

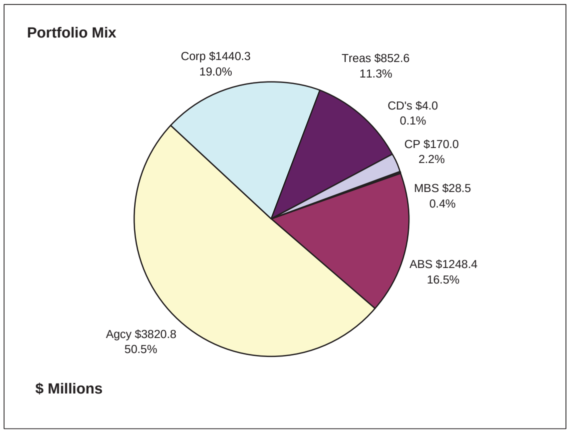
Requests for Information

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 by November 1, 2013.

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 Fund (often called the *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.

Colorado Treasury Pool Combined

September 30, 2013



Portfolio Value

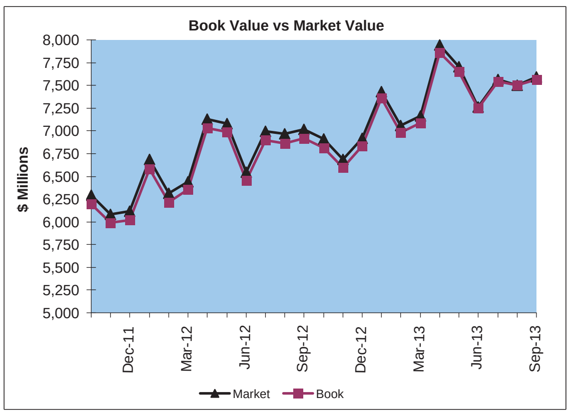
Market Value	$7,590.3	Million
Book Value	$7,564.6	Million

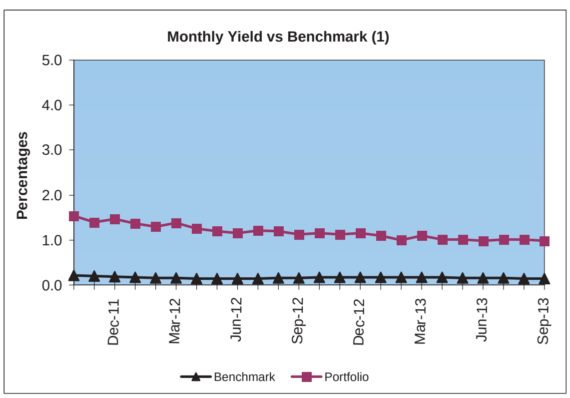
Yield and Average Maturity

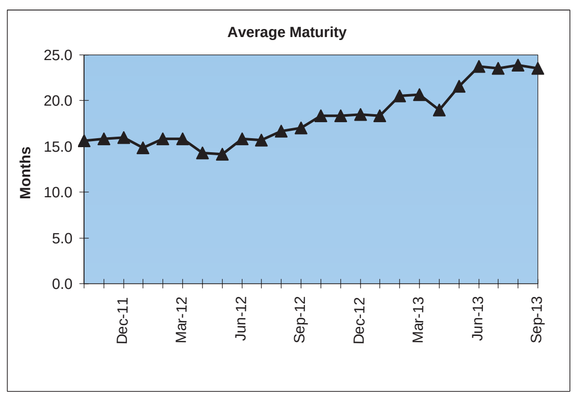
Portfolio Book Yield	1.0%	
Portfolio Average Maturity	23.5	Months

Portfolio Quality

	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							16.5%
Corporates		3.2%	36.2%	58.0%	0.5%		2.1%		19.0%
Mortgage Securities			100.0%						0.4%
Commercial Paper	100.0%								2.2%
Treasuries			100.0%						11.3%
Federal Agencies			100.0%						50.5%
Certificates of Deposit								100.0%	0.1%
Money Market Funds									
Total Portfolio	2.3%	17.1%	69.0%	11.0%	0.1%		0.4%	0.1%	100.0%



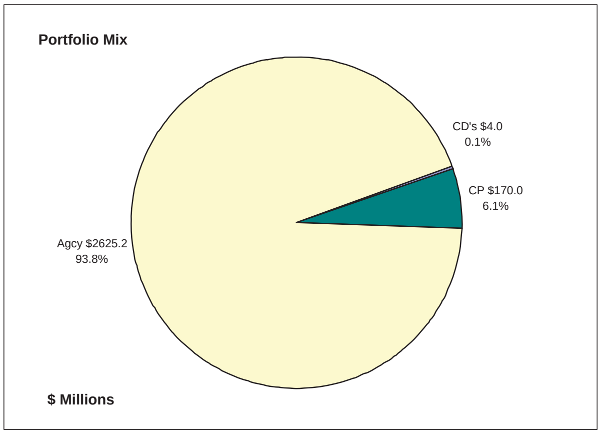




	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '14 YTD	7,565.2	18.9	1.0%	0.1%
Last 12 months	7,332.7	77.0	1.0%	0.1%
FY '13	7,157.7	78.3	1.1%	0.2%
FY '12	6,442.3	89.5	1.4%	0.2%
FY '11	5,718.6	113.0	2.0%	0.3%
FY '10	5,717.7	139.0 [3]	2.4%	0.4%
FY '09	5,828.6	177.4	3.0%	1.1%
Avg FY '09-13	6,173.0	119.4	2.0%	0.4%

(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)
September 30, 2013



Portfolio Value

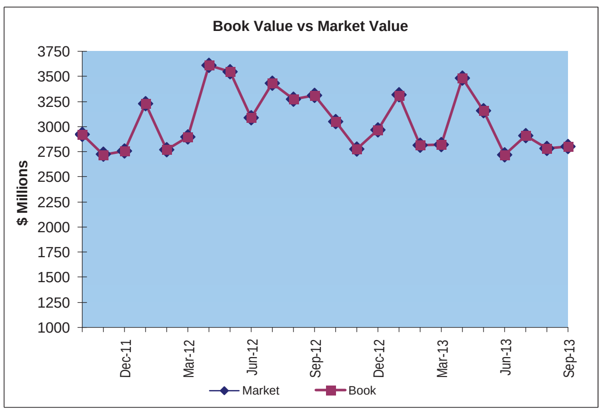
Market Value	$2,799.4	Million
Book Value	$2,799.2	Million

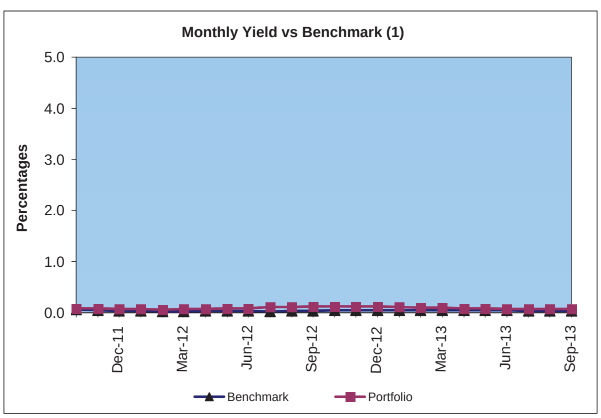
Yield and Average Maturity

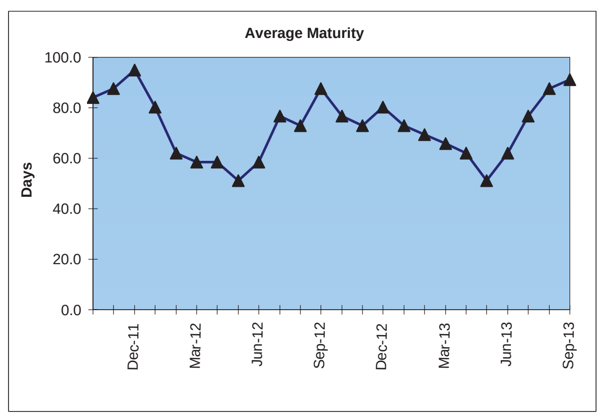
Portfolio Book Yield	0.07%	
Portfolio Average Maturity	91	Days

Portfolio Quality

	A1 / P1	AA	Other	Portfolio Percent
Commercial Paper	100.0%			6.1%
Federal Agencies		100.0%		93.8%
Treasuries				0.0%
Certificates of Deposit			100.0%	0.1%
Money Market Funds				0.0%
Total Portfolio	6.1%	93.8%	0.1%	100.0%







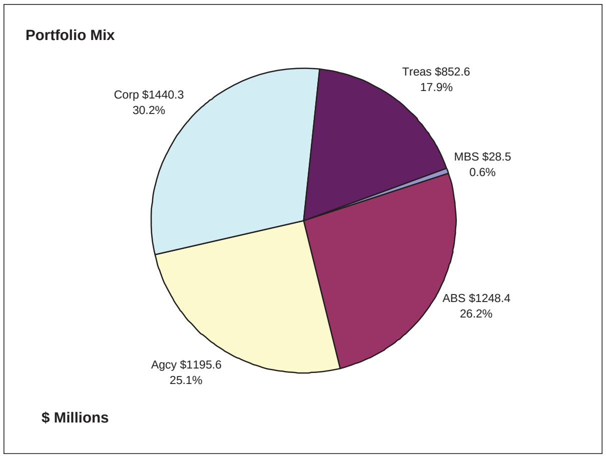
	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '14 YTD	2,909.8	0.5	0.07%	0.04%
Last 12 months	3,106.0	3.0	0.10%	0.04%
FY '13	3,223.2	3.5	0.11%	0.05%
FY '12	3,135.5	2.6	0.08%	0.03%
FY '11	2,355.2	3.2	0.14%	0.10%
FY '10	2,013.9	4.1	0.20%	0.09%
FY '09	2,705.6	39.2	1.40%	0.40%
Avg FY '09-'13	2,686.7	10.5	0.39%	0.13%

(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)

September 30, 2013



Portfolio Value

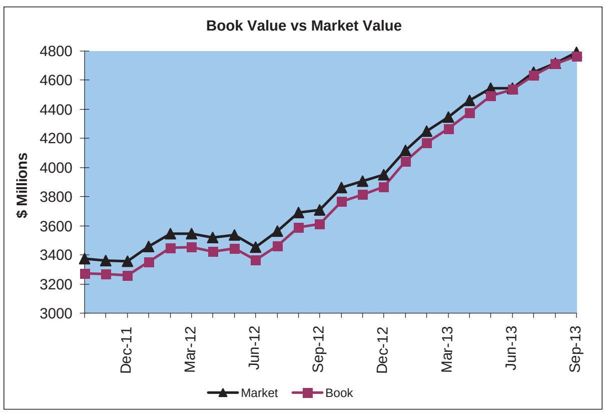
Market Value	$4,790.9	Million
Book Value	$4,765.4	Million

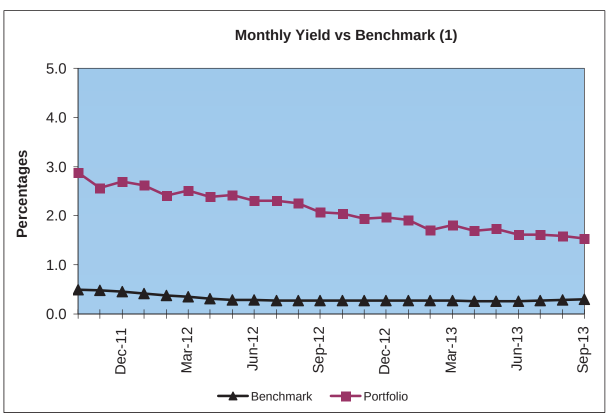
Yield and Average Maturity

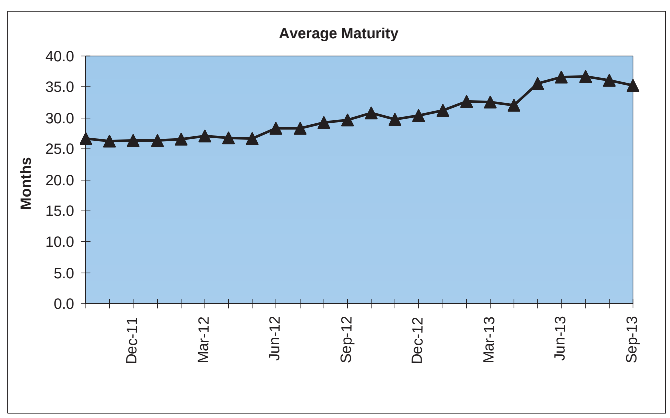
Portfolio Book Yield	1.6%	
Portfolio Average Maturity	35.3	Months

Portfolio Quality

	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed	100.0%							26.2%
Corporates	3.2%	36.2%	58.0%	0.5%		2.1%		30.2%
Mortgage Securities		100.0%						0.6%
Treasuries		100.0%						17.9%
Federal Agencies		100.0%						25.1%
Total Portfolio	27.2%	54.5%	17.5%	0.2%		0.6%		100.0%



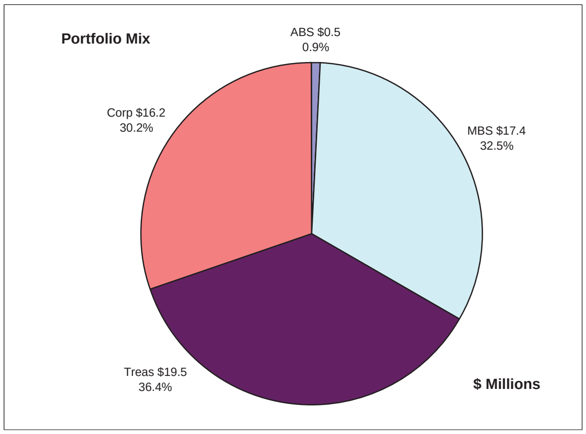




	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '14 YTD	4,655.4	18.4	1.6%	0.3%
Last 12 months	4,226.7	74.0	1.7%	0.3%
FY '13	3,934.5	74.8	1.9%	0.3%
FY '12	3,306.8	86.9	2.6%	0.3%
FY '11	3,363.5	109.8	3.3%	0.6%
FY '10	3,703.9	134.9 [3]	3.6%	0.9%
FY '09	3,123.0	138.2	4.4%	1.4%
Avg FY '09-'13	3,486.3	108.9	3.2%	0.7%

(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
September 30, 2013



Portfolio Value (1)

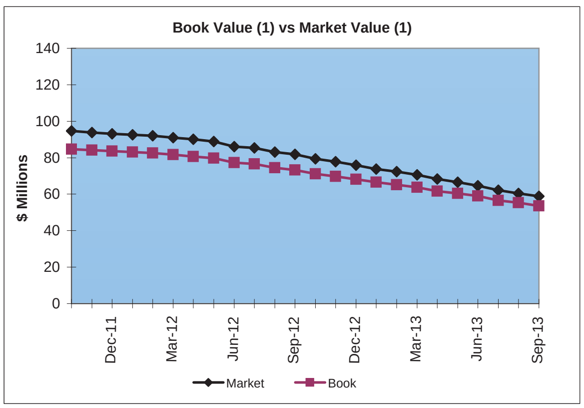
Market Value	$58.8	Million
Book Value	$53.6	Million

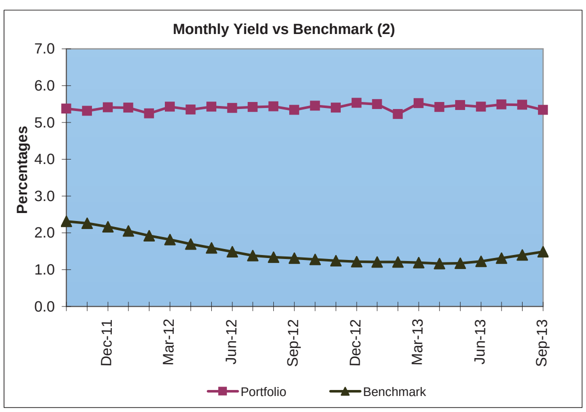
Yield and Effective Duration

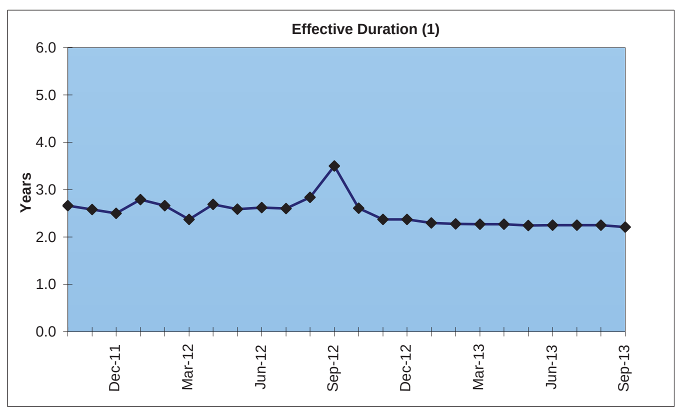
Portfolio Book Yield	3.6%	
Portfolio Effective Duration (1)	2.2	Yrs

Portfolio Quality (1)

	AAA	AA	A	BBB	BB	Portfolio Percent
Asset Backed	100.0%					0.9%
Corporates	12.3%	43.2%	41.4%	3.1%		30.2%
Federal Agencies						0.0%
Mortgage Securities		100.0%				32.5%
Treasuries		100.0%				36.4%
Total Portfolio	4.7%	81.9%	12.5%	0.9%		100.0%



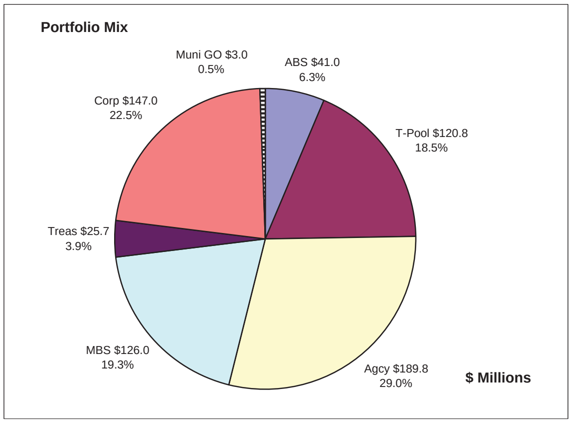




	$ Millions Average Portfolio	$ Millions Realized Income	Book Yield	Performance Benchmarks (3)
FY '14 YTD	91.6	0.8	3.6%	1.5%
Last 12 months	92.4	3.7	4.0%	1.5%
FY '13	89.7	3.9	4.3%	1.2%
FY '12	99.4	4.7	4.7%	1.5%
FY '11	120.5	5.5	4.5%	2.4%
FY '10	126.8	6.0 [5]	4.7%	3.1%
FY '09	163.0	7.4 [4]	4.6%	2.8%
Avg FY '09-'13	119.9	5.5	4.6%	2.2%

(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 $.4 million in gains on sale of investments in May 2009.
(5) Excludes $.2 million in losses on sale of investments in July 2009.

Colorado Public School Permanent Fund
September 30, 2013

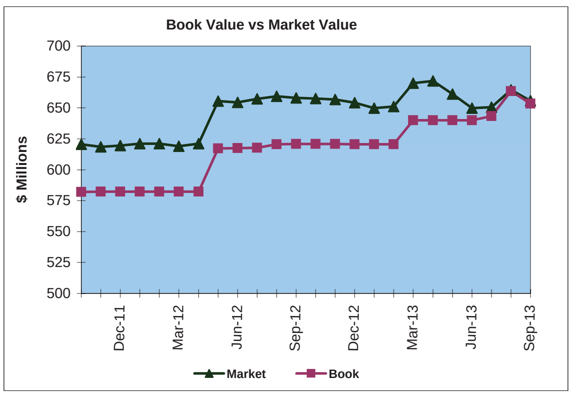


Portfolio Value

Market Value	$655.8	Million
Book Value	$653.3	Million

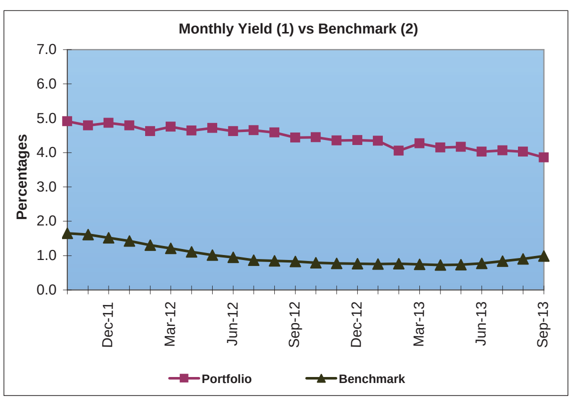
Yield and Average Maturity

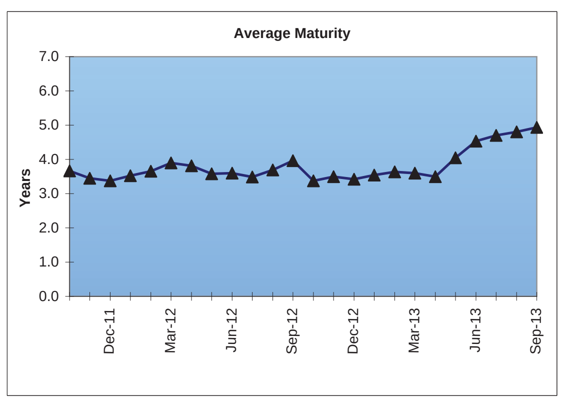
Portfolio Book Yield	3.4%	
Portfolio Average Maturity	4.9	Yrs



Portfolio Quality

	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							6.3%
Corporates		7.5%	76.6%	13.9%	2.0%				22.5%
Mortgage Securities			100.0%						19.3%
Treasuries			100.0%						3.9%
Federal Agencies			100.0%						29.0%
Muni GOs			100.0%						0.5%
T-Pool Combined	2.3%	17.1%	69.0%	11.0%	0.1%	0.0%	0.4%	0.1%	18.5%
Total Portfolio	0.4%	11.1%	82.7%	5.2%	0.5%		0.1%	0.0%	100.0%

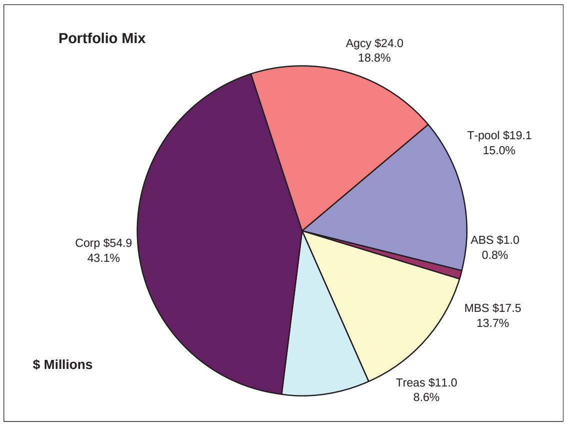




	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (3)
FY '14 YTD	641.8	5.5	3.4%	1.0%
Last 12 months	628.5	22.2	3.5%	1.0%
FY '13	622.2	22.4	3.6%	0.8%
FY '12	582.2	24.1	4.1%	1.0%
FY '11	580.7	27.0	4.6%	1.8%
FY '10	580.8	28.5	4.9%	2.4%
FY '09	572.4	29.2	5.1%	2.3%
Avg FY '09-'13	587.7	26.2	4.5%	1.6%

(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
September 30, 2013



Portfolio Value

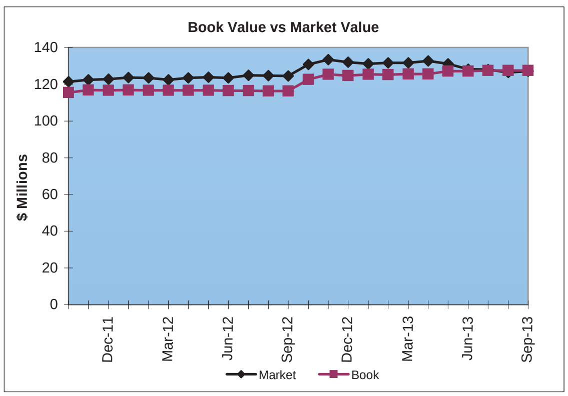
Market Value	$127.1	Million
Book Value	$127.5	Million

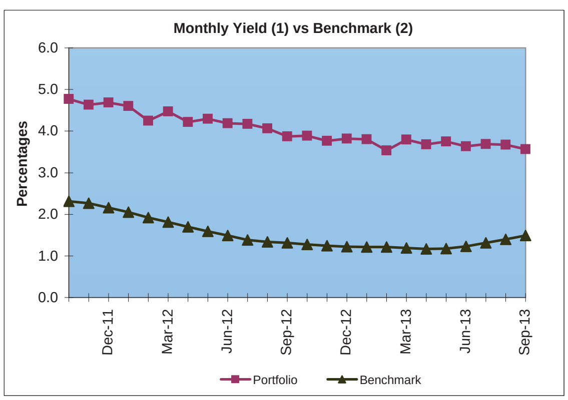
Yield and Average Maturity

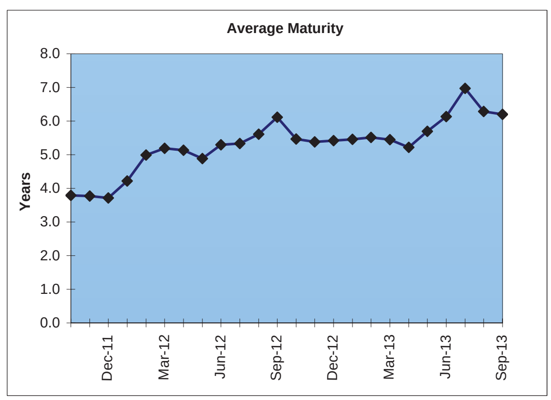
Portfolio Book Yield	3.2%	
Portfolio Average Maturity	6.2	Yrs

Portfolio Quality

	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							0.8%
Corporates		1.8%	25.5%	67.2%	5.5%				43.1%
Federal Agencies			100.0%						18.8%
Mortgage Securities			100.0%						13.7%
Treasuries			100.0%						8.6%
T-Pool Combined	2.3%	17.1%	69.0%	11.0%	0.1%	0.0%	0.4%	0.1%	15.0%
Total Portfolio	0.3%	4.1%	62.5%	30.6%	2.4%		0.1%	0.0%	100.0%







	Average Portfolio ($ Millions)	Realized Income ($ Millions)	Book Yield	Performance Benchmarks (3)
FY '14 YTD	127.1	1.0	3.2%	1.5%
Last 12 months	125.6	4.2	3.3%	1.5%
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%
FY '09	65.9	3.1	4.8%	2.8%
Avg FY '09-'13	99.1	3.6	3.7%	2.2%

(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: Indirect Cost Assessment Methodology

The Department is a central services agency and therefore its departmental indirect costs are included within the Statewide Indirect Cost Plan.

Appendix E: Change Requests' Relationship to Measures

Change Requests' Relationship to Measures			
R	**Change Request Description**	**Goals / Objectives**	**Performance Measures**
R1	LexisNexis Accurint Research Service	Improve the efficiency of claims processing in the Unclaimed Property Program	Specific measure not provided
R2	Investment Tools	With the primary objectives of legality, safety, liquidity, and yield, ensure the management of the State of Colorado's investment portfolios	Measure not provided

Appendix F: State Public Financing Policy

Pursuant to Section 24-36-121 (5) C.R.S., the State Treasurer has included a copy of the state public financing policy. This policy has been implemented. Please see attached.

DEPARTMENT OF TREASURY

State Treasurer

STATE PUBLIC FINANCE POLICY

8 CCR 1508-2

1.1 Authority

This regulation is adopted pursuant to the authority in section 24-36-121, C.R.S. and is intended to be consistent with the requirements of the State Administrative Procedure Act, section 24-4-101 *et seq* ., C.R.S. (the "APA").

1.2 Statement of Purpose

Senate Bill 12-150, codified in part at section 24-36-121, C.R.S., authorizes the State Treasurer to promulgate by rule, a state public financing policy and to act as the centralized issuing manager for certain Financial Obligations of the State of Colorado. The role of issuing manager includes the following:

- Managing the issuance or incurrence of a Financial Obligation, and
- Post-issuance compliance with federal and state tax and securities laws.

The State Treasurer may delegate his or her authority under this regulation to the Deputy State Treasurer or other staff of the State Treasurer's office.

1.3 Applicability

The provisions of this regulation shall be applicable to Financial Obligations issued or incurred by the State and State Agencies defined in section 24-36-121(3)(c)(I), C.R.S.

The provisions of this regulation do not apply to entities excluded from the definition of State Agency in section 24-36-121(3)(c)(II), C.R.S.

For the purposes of the Department of Transportation, the provisions in this regulation applicable to Financial Obligations do not include those defined in section 24-36-121(3)(a)(II), C.R.S.

The provisions of this regulation do not apply to any issuance or incurrence that is not a Financial Obligation or to any issuance or incurrence that is not payable from and does not pledge State Revenues.

The provisions of this regulation do not authorize the State Treasurer to supersede a State Agency's authority to enter into or incur a Financial Obligation, nor does it affect other state laws regarding the General Assembly's approval of any capital lease or lease purchase agreement over five hundred thousand dollars pursuant to sections 24-82-801 and 24-82-802, C.R.S.

The provisions of this regulation do not authorize the State Treasurer or any other public agency to waive an election otherwise required under the State Constitution or to hold an election inconsistent with the requirements of the State Constitution. References to Financial Obligation in this regulation are for reference only and shall not be construed to create debt or a multiple fiscal year financial obligation contrary to the State Constitution.

1.4 Definitions

The definition of the terms used herein specific to the State Public Financing Policy are consistent with the definitions in section 24-36-121, C.R.S.

"CAFR" means the State Comprehensive Annual Financial Report.

"COPs" means certificates of participation.

"EMMA" means the Electronic Municipal Market Access system, the market and continuing disclosure filing portal for the MSRB.

"Financial Obligation" means the definition of Financial Obligation in section 24-36-121(3)(a)(I), C.R.S.

"Financial Professionals" means bond counsel, disclosure counsel, financial advisors, and other professionals retained by the State Treasurer to assist the State in the issuance or incurrence of Financial Obligations.

"Internal Revenue Code" means the definition of Internal Revenue Code in section 24- 36-121(3)(b), C.R.S.

"MSRB" means the Municipal Securities Rulemaking Board.

"SEC" means the U.S. Securities and Exchange Commission.

“State” means the State of Colorado.

"State Agency" means the definition of State Agency in section 24-36-121(3)(c)(I), C.R.S.

"State Institution of Higher Education" means the definition of State Institution of Higher Education in section 24-36-121(3)(d), C.R.S.

"State Revenues" means the definition of State Revenues in section 24-36-121(3)(e), C.R.S.

1.5 Legal and Regulatory Requirements

The State Treasurer and the Office of the Attorney General shall coordinate their activities to ensure that the Attorney General has all the documents and information available to deliver an opinion on behalf of the State that a Financial Obligation issued or incurred by the State complies with applicable state laws. All Financial Obligations issued or incurred shall comply with the applicable covenants in the documents governing the issuance or incurrence of the Financial Obligation.

Unless otherwise authorized in statute, all Financial Obligations are binding contracts of the State that are not valid until signed by the State Controller or his or her designee. All relevant documents to be executed and delivered by the State in respect of Financial Obligations shall be provided to the State Controller for review as they are prepared or identified in connection with the issuance or incurrence of any Financial Obligation.

1.6 Planning and Criteria of Issuance or Incurrence of Financial Obligations

A. Minimum Required Approval Information. Section 24-36-121, C.R.S. states that "Senate Bill 12-150, enacted in 2012, is not intended to grant the State Treasurer any authority that supersedes a State Agency's authority to enter into or incur a Financial Obligation, nor is Senate Bill 12-150 intended to affect other state laws regarding the General Assembly's approval of any capital lease or lease purchase agreement over five hundred thousand dollars." With that in mind, in order to initiate the management process, the State Treasurer requires that the following minimum information be submitted in writing:

1. A brief description of the proposed financing, including source of repayment for the Financial Obligation;
2. Evidence of statutory authority, or legislation that authorizes the Financial Obligation; and
3. Timeline of project and proposed financing.

B. Additional Information Requirements. The State Agency will provide the State Treasurer with any additional information that the State Treasurer considers necessary or appropriate to act as the issuing manager for the issuance or incurrence of the Financial Obligation. This may include but is not limited to the following:

1. Assumptions of underlying cash flow projections associated with the repayment of the Financial Obligation;
2. Information to be delivered by the State Treasurer to credit ratings agencies, underwriters and other participants related to the security of the transaction;
3. Description of the State Agency, program, staff and operations that impact the issuance or incurrence of the Financial Obligation;
4. As applicable, details about the property proposed to be used as the leased property under any lease purchase agreement;
5. Information regarding the structure of and security for the proposed Financial Obligation; and
6. Evidence of approval from the Office of State Planning and Budget that any fiscal impact from the Financial Obligation or refinancing is understood and can be incorporated into long term financial planning.

C. Timeline Considerations. Each State Agency that anticipates issuing or incurring a Financial Obligation shall provide written notice to the State Treasurer no less than sixty (60) days prior to the date on which a State Agency anticipates issuing or incurring a Financial Obligation, for a new transaction, and no less than thirty (30) days prior to the date on which a State Agency anticipates issuing or incurring a Financial Obligation for a refinancing transaction. While this is the minimum requirement defined by statute, State Agencies should consult with the State Treasurer to consider the following factors that may affect the time frame needed to accomplish issuing or incurring a Financial Obligation:

1. Transaction size;
2. Complexity of the transaction;
3. Type and structure of proposed Financial Obligation; and
4. Market conditions.

D. General Limitations of Issuance or Incurrence. The issuance or incurrence of all Financial Obligations are subject to the following general limitations:

1. Financial Obligations shall comply with all applicable laws, regulations, and covenants and, if applicable, shall not jeopardize the federal or state tax-exempt (or other federal or state tax) status of outstanding Financial Obligations;
2. Financial Obligations shall not be issued or incurred to fund operations, except for short term tax anticipation notes issued by the State Treasurer pursuant to sections 29-15-112, 22-54-110 and 24-75-901, C.R.S.;
3. Capital improvements may be financed, but the plans for such projects should first be

developed and approved in accordance with any state statute applicable to the projects;

4. Principal and interest payment schedules should generally be structured to result in level annual payments due on a Financial Obligation, but may vary when circumstances warrant;
5. Financial Obligations issued or incurred will generally be limited to fixed rate current interest serial or term maturities, but may be sold in the form of variable rate, capital appreciation or other structures, including short term securities if circumstances warrant; and
6. The average life of the issued or incurred Financial Obligation should generally be no greater than the projected average useful life of the asset(s) being financed.

1.7 Selection of Outside Professional Services

A. <u>Finance Professionals.</u>

1. *Financial Advisors* . The State Treasurer may retain a financial advisor to assist in the issuance or incurrence of the proposed Financial Obligation, and the administration and post-issuance compliance of Financial Obligations. Financial advisors retained by the State Treasurer shall also comply with all applicable rules and regulations promulgated by the SEC and MSRB. A financial advisor may not serve as an underwriter on the same issuance or incurrence during the term of its engagement. Assistance to be provided by a financial advisor may include, but not be limited to:
   (a) Analyze the costs and benefits of various funding sources, including the strengths and weaknesses of various financing alternatives or if requested, propose or develop a plan of financing;
   (b) Analyze and report on the advantages and disadvantages of each proposed plan of financing and method of sale;
   (c) Provide advice regarding the potential pricing of the Financial Obligation, and provide estimated repayment schedules of a proposed Financial Obligation;
   (d) Monitor market opportunities, as well as favorable conditions for any refinancing opportunities of existing Financial Obligations;
   (e) Work with the State Treasurer in recommending size, structure and specific terms and conditions of a Financial Obligation;
   (f) Provide advice on the structuring, method and conditions of sale, including publicly offered and privately negotiated options;
   (g) Provide advice on terms and conditions of credit and liquidity facilities, interest rate exchange agreements and other derivative products;
   (h) Assist in preparing documents necessary for the issuance or incurrence of Financial Obligations, which may include schedules, sale notices, operative documents, closing memoranda and disclosure materials;
   (i) Assist in the application for ratings and credit and/or liquidity facilities;
   (j) Upon request, provide advice on investment of proceeds;
   (k) Assist in the determination of the financing team, including development of requests for proposals for other professional services and the evaluation of responses; and
   (l) Provide a written post-transaction assessment, including post-issuance compliance assessment, if requested by the State Treasurer.
2. *Bond Counsel, Disclosure Counsel and other legal representation.* The State Treasurer may retain bond counsel, disclosure counsel, tax counsel, or other legal counsel necessary for the issuance or incurrence of a Financial Obligation. If legal counsel will be retained by the State Treasurer to represent the State, any legal counsel must be

authorized by the Office of the Attorney General and receive a designation as a Special Assistant Attorney General. Any legal counsel retained by the State Treasurer must be listed in the most recent *The Bond Buyer's Municipal Marketplace* ®, a periodic directory known as the "Red Book" and must have extensive experience in government and public finance, municipal securities regulation and tax issues.

3. *Other Professionals* . The State Treasurer may retain other professionals to assist with the Financial Obligation issuance or incurrence process if the State Treasurer determines that such retention is necessary and in the best interests of the State. Such professionals may include, but not be limited to: trustees, registrars, paying agents, escrow agents, accountants, financial printers, underwriters, tender/remarketing agents, credit and liquidity facility providers, and other professional services associated with financings.

B. Selection Process. The selection and retention of finance professionals will be achieved through an open and competitive request for proposal process. The State Treasurer is exempt from the State procurement code pursuant to sections 24-2-102(4) and 24-101-301(1), C.R.S., and may, but is not required to, post requests for proposals through the State procurement bid system or on the State Treasurer's website.

C. Criteria for Evaluating Selection of Financing Team Members. The criteria to be used in evaluating and selecting a finance professional may include, but is not limited to:

1. The firm's experience and capability and the individual finance professional's experience and capability to provide the requested services to major governmental issuers, including the State;
2. Experience and capability of assigned personnel and their familiarity with the State;
3. Fees and expenses;
4. Absence of conflicts of interest;
5. Availability of key personnel to serve the State;
6. References;
7. Knowledge of innovative approaches;
8. Demonstrated ability to meet deadlines and attention to detail;
9. Local office and Statewide presence;
10. Financial strength or capability to execute the proposed transaction; and
11. Limitations and qualifications in legal opinions.

The State Treasurer shall determine the weight given each evaluation criteria.

1.8 Types and Structural Features of Financial Obligations

A. Type of Financial Obligation.

1. *General Obligation ("GO") Bonds.* GO bonds are backed by the "full faith and credit" of the issuing entity. GO bonds may only be issued by the State upon satisfaction of all requirements of the State Constitution, including voter approval. Currently, the State has no outstanding GO debt.
2. *Lease Purchase Agreements without or with COPs*

   (a) Lease purchase agreements may be used to finance a wide variety of capital assets, including office buildings, prisons and equipment, such as motor vehicles and computer systems. The State may enter into a lease purchase agreement, as lessee, in two main forms: (1) a "stand alone" lease under which an asset owner or a single private placement investor funds the assets constituting the leased property under the lease purchase agreement and (2) a lease where the lease base rental payments due from the State are certificated into participation interests described as

"Certificates of Participation" or COPs. The lease purchase agreements may be renewed from one fiscal year to the next fiscal year by the State, as lessee, by the act of appropriation of the base rental payments due under the lease purchase agreement. The lease purchase agreements are not a debt or multiple fiscal year financial obligation of the State.

(b) Before proceeding to obtain any necessary legislative approval pursuant to sections 24-82-801 and 24-82-802, C.R.S., or any other statute or proceeding with a lease purchase agreement/COPs financing, the Office of the Attorney General must be consulted regarding appropriate legal structuring matters, including the property proposed to constitute the leased property and base rental payment structures.

3. *Revenue Bonds* . There are various types of revenue bonds depending upon the source of revenue from which the bonds are to be paid. One type is used to finance assets which produce revenue to repay the financial obligation issued or incurred (toll road bonds, for example). Another type is payable from a specific revenue source but is not used to finance revenue-producing assets (the CDOT TRANs or higher education revenue bonds paid from student fees, for example). Revenue bonds may be issued by the State or a State Agency upon satisfaction of all requirements of the State Constitution.

4. *General Tax Revenue Anticipation Notes ("GTRANS") and Education Tax Revenue Anticipation Notes ("ETRANS").* Pursuant to sections 24-75-901, 29-15-112 and 22-54-110, C.R.S., the State Treasurer is authorized to sell notes payable from anticipated revenues to fund cash flow shortfalls of the State and certain school districts. The State Treasurer will enter into Financial Obligations for the GTRANS or ETRANS programs when market conditions warrant, and upon demonstration of short term cash flow deficits that can be repaid from anticipated tax revenues.

B. Financial Obligation Features.

1. *Variable Rate Demand Obligations ("VRDO")* . Interest rate savings can generally be achieved along the shorter end of the yield curve and provide benefits in structuring the State's portfolio of Financial Obligations. VRDOs are easier to refund than fixed rate obligation, as these obligations are redeemable at their outstanding principal amount on any date with applicable notice as detailed in the documents. Prior to structuring a financing with variable rate obligations, the State Treasurer will assess, among other factors:
   (a) Financial flexibility;
   (b) Liquidity provider/third party risk;
   (c) Asset liability management;
   (d) Interest rate risk; and
   (e) Market conditions.

2. *Capitalized Interest* . Interest may be capitalized as warranted by market conditions and limitations on the repayment schedule of the Financial Obligation.

3. *Optional Redemptions.* Generally, Financial Obligations issued or incurred by the State or a State Agency may contain optional redemption features unless the State Treasurer determines there are sufficient benefits to a non-callable structure. With regard to redemption features, the State Treasurer will ultimately determine what is in the State's best interest in selecting appropriate dates and prices, taking into account such items as the costs of funds versus future financial flexibility.

4. *Capital Appreciation Obligations* . Capital appreciation obligations shall only be used if the State Treasurer determines it to be in the State's financial interest considering current investor demand, future cash flows and expected interest rates.

5. *Liquidity and Credit Facilities* . When judged prudent and advantageous to the State, and as permitted by State statute, the State Treasurer may authorize agreements with municipal bond insurance companies, commercial banks or other financial entities for the purposes of acquiring letters of credit or insurance policies in respect of the Financial Obligations, based upon the following considerations:
   (a) The net present value of the estimated annual repayment savings from the use of credit enhancement should be greater than the fees and/or premium paid by the State to obtain such credit support.
   (b) A competitive process may be used to select credit enhancement providers.
6. *Interest Rate Exchange Agreements* . The State Treasurer will determine when it may be advisable and in the State's best interest for a State Agency to enter into an interest rate exchange agreement pursuant to article 59.3 of title 11, C.R.S.
7. *Reserves* . When determined economically beneficial by the State Treasurer, the State may obtain a surety policy, letter of credit, line of credit, or similar arrangement in lieu of cash funded reserves to enhance the security for the Financial Obligations.
8. *Moral Obligations* . The State Treasurer, in consultation with the agencies and departments of the State required to authorize a moral obligation covenant of the State, will determine under what circumstances, if any, it is appropriate for the State to enter into a moral obligation covenant of the State in connection with a Financial Obligation. Under a moral obligation covenant, the State's obligation to honor the covenant is moral, rather than legal. Entering into a moral obligation covenant may be appropriate when necessary to protect the State's credit rating or preserve assets necessary for the functioning of state government. Prior to entering into any moral obligation covenant, the State Treasurer will consult with the Office of the Attorney General regarding legal requirements and ramifications of a moral obligation covenant, and may consult with a financial advisor to fully understand the rating implications of such a covenant.
9. *Other Features of Financial Obligations* . The State Treasurer may decide to issue or incur Financial Obligations that are authorized by state legislation when the State Treasurer determines that it is in the State's best interest to do so. Examples of such Financial Obligations are those authorized by stimulus legislation similar to Build America Bonds and Qualified School Construction Bonds.
10. *Intercept Credit Enhancement* . Upon satisfaction of state law requirements, the State Treasurer may use its authority to intercept State payments to Institutions of Higher Education, qualified charter school and school districts in order to enhance the credit of a Financial Obligation of an Institution of Higher Education pursuant to section 23-5-139, C.R.S.; a school district pursuant to section 22-41-110, C.R.S.; or a qualified charter school pursuant to section 22-30.5-406, C.R.S.

C. <u>Derivative Products</u> , The State Treasurer may determine to use derivative products to reduce the State's exposure to changing market conditions or to reduce interest rate risk, but shall not be used for speculative purposes.

D. <u>Refundings and Early Redemptions.</u> If determined to be in the State's financial interest, the State Treasurer will consider prepaying or defeasing outstanding Financial Obligations when resources are available to reduce the amount of Financial Obligations outstanding. The State Treasurer will consider refunding Financial Obligations in order to generate interest savings, restructure payment schedules and/or eliminate burdensome covenants. The State Treasurer will evaluate and may consider the following factors, among others, in analyzing, reviewing and proceeding with a refinancing opportunity on behalf of State Agencies:

(1) Net present value savings;

(2) Absolute dollar savings;
(3) Size of issue;
(4) Market conditions; and
(5) Number of years remaining on outstanding Financial Obligations.

E. Energy Performance Contract ("EPC") and Capital Lease Approval Process. State Agencies may initiate energy performance contracts to improve the energy efficiency of state buildings or facilities pursuant to sections 24-30-2001 to 24-30-2003, C.R.S. or 24-38.5-106, C.R.S. The Colorado Energy Office ("CEO") and the Office of the State Architect ("OSA") work with public entities and energy service companies ("ESCO"s) to provide program standard contract documents, processes and procedures as well as guidance, support, and due diligence services related to the Technical Energy Audit ("TEA") contract and report of the Energy Performance Contracts ("EPC"s). For state agency projects, the State Treasurer will work with the CEO and Department of Personnel and Administration (Offices of the State Controller and the OSA) to integrate the EPC and financing components including, but not limited to the following:
(1) Integrate financing process, procedures, and milestones into the State Agency's EPC documents;
(2) Determine the process in which the CEO, ESCO, and State Agency will notify the State Treasurer of a capital lease related to an EPC; and
(3) Work with the Attorney General's office to ensure a standardized contract for: (a) TEAs, (b) EPCs and (c) capital leases related to EPC capital improvements for State Agencies to utilize.

1.9 Methods of Sale

It is in the State's best interest to sell its Financial Obligations using the method of sale that is expected to achieve the best sales results, taking into account both short-range and long-range implications. In order to ensure that the State's best interests are being met, it is important for the State Treasurer to be actively involved in any method of sale.

A. Factors for Determining Method of Sale.
(1) Considerations which support a competitive sale process include, but are not limited to the following: the Financial Obligation has an unenhanced credit rating favorable to the market; the Financial Obligation is appropriately sized to attract investors without a concerted effort; and interest rates and other economic factors are stable and market demand is strong.
(2) Considerations which support a negotiated sale process include, but are not limited to the following: the Financial Obligation is not large enough to attract market interest; market timing will be a critical factor in garnering the lowest possible interest rate; the financing requires a complex or innovative structure; the market has concerns about the credit quality of the Financial Obligation; and the market is unfamiliar with the project, the structure of the financing or the revenues pledged for annual repayment.

B. Initiating a Competitive Sale. The Official Notice of Sale (the "Notice") will be published in the most appropriate method of advertisement, such as MSRB's EMMA website. The Notice will announce the State's intent to sell Financial Obligations and will contain references to relevant security and structural information that interested bidders may require. The Notice will clearly indicate the permissible discounts, premiums and basis of award, including additional requirements to acknowledge MSRB and SEC compliance.

C. Parameters for Underwriter Selection for a Negotiated Sale. When the State Treasurer determines that a negotiated sale is in the best interests of the State, the State Treasurer may retain underwriters to execute the sale of Financial Obligations.

(1) *Co-Managers and Selling Groups.* If underwriter co-managers and/or a selling group are deemed appropriate to the sale of Financial Obligations, those underwriters will be engaged by the State Treasurer. Underwriters will be selected by an open and competitive bidding process.

(2) *Pricing and Allocation of Sales.*

(a) The negotiation of terms and conditions will include, but not be limited to: prices, interest rates, underwriting or remarketing fees and commissions, based on prevailing terms and conditions in the marketplace for comparable issuers, lessees and obligors and similarly secured and rated Financial Obligations in addition to the State's recent experience.

(b) If more than one underwriter is included in the sale of the Financial Obligation, the State Treasurer will establish the general guidelines of the allocation of fees, liability and underwriting in a manner consistent with the objectives of the State.

(c) Criteria to be used in determining the allocation of Financial Obligations sold by selected underwriters will include, but not be limited to:

(i) Demonstrated performance in the sale of previous issues of financial obligations;

(ii) Demonstrated commitment to the overall goals of the State's financing programs.

(3) *Underwriter's Responsibilities for a Negotiated Sale.* Contemporaneous with the execution of a purchase contract for Financial Obligations, the senior manager of a financing will:

(a) Provide for the fair allocation of Financial Obligations to underwriters and selling group members, consistent with the previously negotiated terms and conditions of allocation, as referenced in any related agreement among underwriters;

(b) Provide affirmation of compliance with all current MSRB regulations; and

(c) Agree to submit to the State a complete and timely account of all orders, allocations and underwriting activities related to the sale of Financial Obligations under its management.

D. Parameters and Criteria for a Private Placement. As part of the sale process, the State Treasurer may determine it is in the State's best interest to authorize a private placement of the Financial Obligation, based upon the following considerations: Size of issuance; limited and simple project scope and collateral; little market interest in small dollar amount of financing; interest rate; covenants; non-market redemption provisions; and savings associated with normal closing transaction fees for financial professionals.

In a private placement, the State Treasurer will prepare and distribute a request for proposals from financing companies and financial institutions and select the bid most advantageous to the State.

1.10 Credit Ratings

Unless otherwise justified, the State Treasurer will seek a rating on all new Financial Obligations which are being sold in the public market if determined to be necessary. The State Treasurer recognizes the importance of maintaining good relations and full transparency with credit rating agencies in order to increase the acceptance of the Financial Obligations in the financial markets, which impacts interest costs associated with the Financial Obligations. However, exceptions to this requirement are permissible, such as when privately placing a security with an accredited investor, if warranted by the circumstances.

A. The State will obtain an underlying rating on Financial Obligations that are credit enhanced, when beneficial to the State.

B. The State will attempt to maintain a rating on those credits that have previously been rated by one or more of the rating agencies, when in the best interest of the State.
C. As requested, the State Treasurer will provide financial information including the State's CAFR, budget and forecast data, or other requested information to agencies which provide credit ratings or credit facilities or liquidity facilities for the State's outstanding Financial Obligations.

1.11 Arbitrage Compliance

The State Treasurer shall comply with the applicable arbitrage regulations mandated by the Internal Revenue Code, including but not limited to, regulations regarding timely filings. For State Financial Obligations, the State Treasurer is responsible for the following:

A. The direction of investments related to proceeds of the issuance or incurrence of Financial Obligations will be undertaken by the State Treasurer in accordance with applicable State law and, if applicable, the State Treasurer's Investment Policy.
B. The State Treasurer shall maintain separate accounts by source of funds and record pro rata interest income of any commingled funds used to invest the proceeds of Financial Obligations, on a monthly basis.
C. Balances in project accounts shall be monitored by the State Treasurer to document the spending and allocation of the proceeds of Financial Obligations.
D. The State Treasurer shall perform rebate computations until Financial Obligations are paid in full, in accordance with Internal Revenue Code regulations.
E. If applicable, the State Treasurer, may seek special tax counsel to opine on arbitrage regulations, and may employ arbitrage specialists as necessary to complete the required computations.

1.12 Disclosure and Continuing Disclosure

A. The State Treasurer is responsible for disclosure responsibilities under the continuing disclosure undertakings of State Financial Obligations. The State Treasurer will make reasonable efforts to assist underwriters in their efforts to comply with SEC Rule 15c2-12 and the various MSRB rules pertaining to underwriters.
B. Consistent with any continuing disclosure undertakings executed by the State Treasurer, the State Treasurer will file a copy of the State's CAFR, and other information the State Treasurer deems pertinent or is required to be filed under any continuing disclosure undertakings and will be disseminated to the market in a timely manner through www.emma.msrb.org or such successor as the SEC or MSRB may designate.
C. The State Treasurer implements the following post-issuance compliance procedures, to ensure each Financial Obligation complies with state and federal law and the financial covenants made by the State in the related financing documents governing the issuance. The State Treasurer may request information from the related State Agency including the following:
   1. Tax Compliance. Upon the advice of tax or bond counsel, information required by the Internal Revenue Service for post-issuance compliance procedures of the issuance or incurrence of a particular type of Financial Obligation such as Qualified School Construction Bonds.
   2. Private Use. Information necessary to monitor and take corrective action to comply with Internal Revenue Code requirements restricting the private use of facilities constructed with tax-exempt proceeds.
   3. State Law Compliance. Documentation to ensure compliance with State law governing

lease purchase financing that requires annual appropriation and renewal of a lease.

4. Financial Covenants. Information or documentation to ensure compliance with the covenants made by the State in the related financing documents requiring insurance and record retention.
5. Reporting Covenants. Information and documentation to ensure compliance with reporting requirements pursuant to documentation with providers of credit enhancement and/or liquidity support or continuing disclosure agreements.

1.13 Reporting Requirements of State Agencies

A. State Agencies entering into Financial Obligations shall provide the following to the State Treasurer:
   (1) No less than sixty (60) days prior to the date on which a State Agency expects that a Financial Obligation will be incurred, a State Agency shall provide written notice to the State Treasurer of that expectation;
   (2) Not less than thirty (30) days prior to the date on which a State Agency expects that a refinancing of a Financial Obligation will be incurred, a State Agency shall provide written notice to the State Treasurer of that expectation;
   (3) The State Agency shall provide the State Treasurer with information the State Treasurer considers necessary or appropriate to act as the issuing manager for the issuance or incurrence of the Financial Obligation, including, but not limited to cash flow projections associated with the repayment of any Financial Obligation;

B. No later than ten (10) days after a State Institution of Higher Education enters into or issues a Financial Obligation in a principal amount of one million dollars or more that is secured in whole or in part by State Revenues or revenues of the Institution of Higher Education and which the State Treasurer does not manage, including any bonds subject to the Higher Education Revenue Bond Intercept Program established in section 23-5-139, C.R.S., the State Institution of Higher Education shall notify the State Treasurer that it has entered into the Financial Obligation and shall provide at least the following information to the State Treasurer:
   (1) A copy of any official statement or other offering document or memoranda for the issuance or incurrence of the Financial Obligation;
   (2) A copy of any filings or correspondence with the federal Internal Revenue Service with respect to the issuance or incurrence, including, if applicable, a copy of each Form 8038 or Form 8038-G;
   (3) A copy of the continuing disclosure undertaking; and
   (4) Any other information related to the issuance or incurrence of the Financial Obligation as requested by the State Treasurer and within the provisions of this regulation.

C. No later than ten (10) days after the High-Performance Transportation Enterprise (the "HPTE") created in section 43-4-806(2), C.R.S. or the Statewide Bridge Enterprise (the "Bridge Enterprise") created in section 43-4-805(2), C.R.S., enters into financial contracts or instruments specified in section 24-36-121(3)(a)(II)(A) and 24-36-121(3)(a)(II)(B), C.R.S., the HPTE and the Bridge Enterprise shall notify the State Treasurer that they have entered into or issued such a financial contract or instrument and shall provide at least the following information to the State Treasurer:
   (1) A copy of any official statement or other offering document or memoranda for the issuance or incurrence of such a financial contract or instrument;
   (2) A copy of any filings or correspondence with the federal Internal Revenue Service with respect to the issuance or incurrence, including, if applicable, a copy of each Form 8038 or Form 8038-G;

(3) A copy of the continuing disclosure undertaking; and
(4) Any other information related to the issuance or incurrence of a financial contract or instrument as requested by the State Treasurer.