COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 201-11 STAFF BUDGET BRIEFING

DEPARTMENT OF THE TREASURY

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

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FY 2010-11 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF TREASURY

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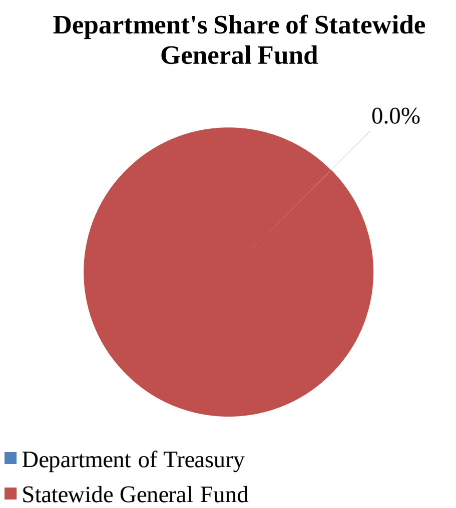

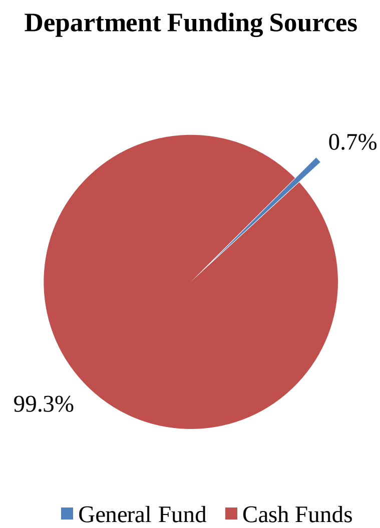

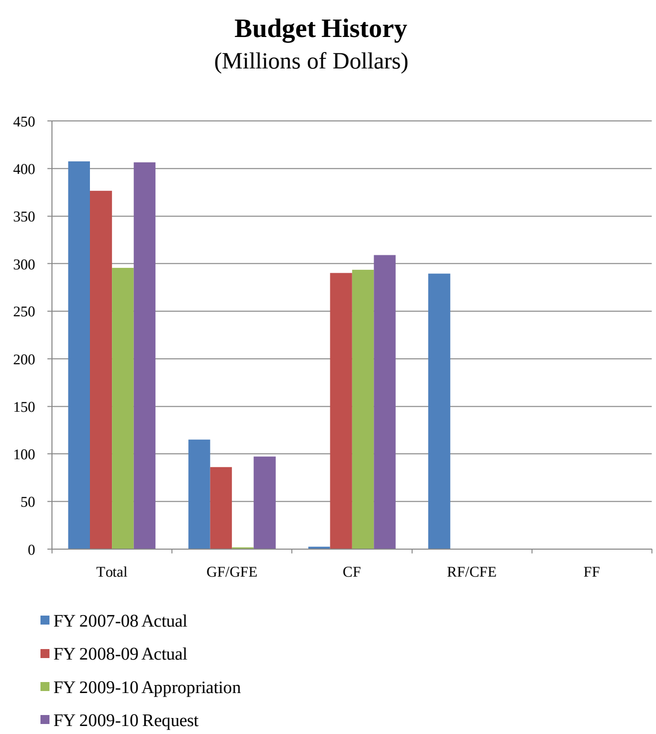

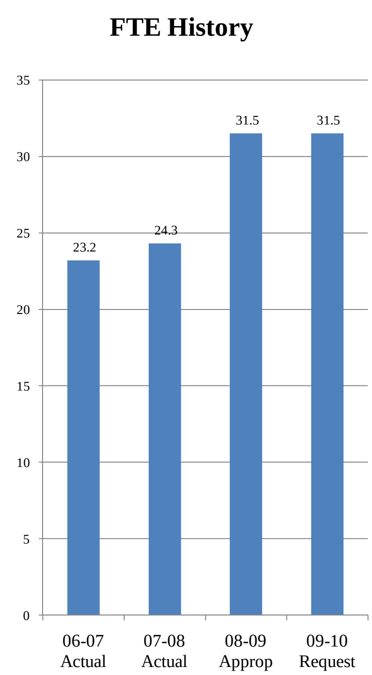

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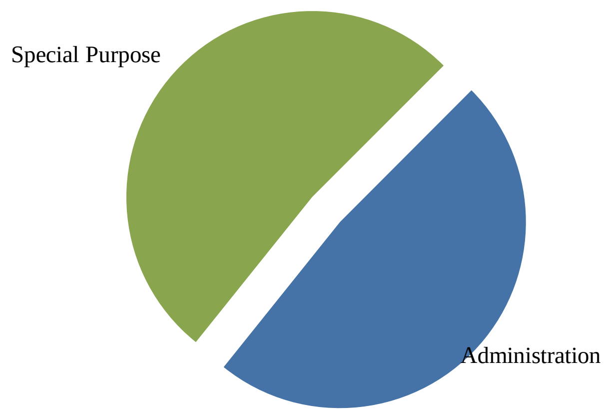
Treasury Department

GRAPHIC OVERVIEW

Distribution of General Fund by Division



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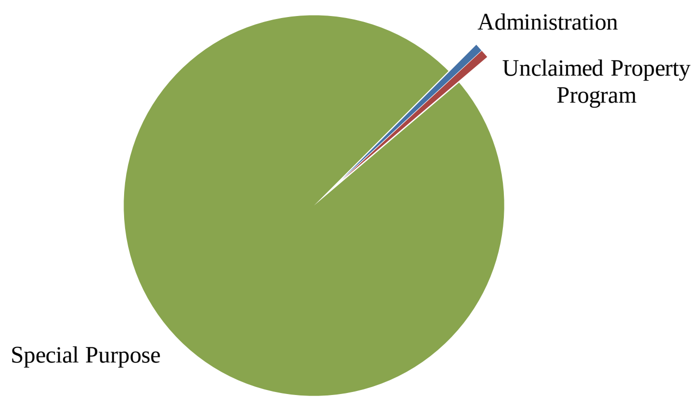

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Treasury

DEPARTMENT OVERVIEW

Key Responsibilities

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 Senior Citizen Property Tax Exemption reimbursements to local governments
- Makes loans to elderly individuals and military personnel through the Property Tax Deferral Program
- Transfers moneys to the Fire and Police Pension Association for local "old hire" plans
- Transmits moneys from the Unclaimed Property Trust Fund to CoverColorado

Factors Driving the Budget

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, Administration, the Unclaimed Property Division, and 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 Tobacco Settlement Trust Fund; the Colorado Prepaid Tuition 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 locate owners of dormant or abandoned property and the return the property to them. The program is funded through the Unclaimed Property Trust Fund. In FY 2008-09, the Unclaimed Property Division returned more than $25.5 million to 18,248 rightful owners or their heirs, and since the program's inception, it has returned more than $200 million.

The Special Purpose Section, administers the following programs: The Senior Citizen and Disabled Veterans Property Tax Exemption; the Elderly and Military Personal Property Tax Deferral program; payments to CoverColorado from the Unclaimed Property Trust Fund; State payments to the "Old Hire" fire and police pension plans; and disbursements of Highway Users Tax Fund proceeds to the counties and municipalities in the State. The major programs are described below.

Senior Citizen and Disabled Veteran Property Tax Exemption

Article X, Section 3.5 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 tax year 2007, the exemption also applies if the property owner-occupier is a disabled veteran (100 percent permanent service-connected disability) 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 year 2009, thereby eliminating the associated state expenditures for fiscal years 2003-04, 2004-05, 2005-06, and 2009-10.

Governor's FY 2010-11 Balanced Budget Proposal

As part of the Governor's Budget Submission on November 6, 2009, the Governor has proposed suspending the Senior Citizen Property Tax Exemption for the next two fiscal years (in addition to the current year suspension). The proposal, which requires legislation, would reduce State spending by $95.5 million in FY 2010-11 and by 101.9 million in FY 2011-12. These assumptions are based on retaining the exemption for disabled veterans at a cost of about $1.1 million each year.

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.

Senior Citizen and Disabled Veteran Property Tax Exemption					
	FY 03-04, FY 04-05, & FY 05-06 Actual / a	FY 06-07 Actual	FY 07-08 Actual.	FY 08-09 Actual	FY 09-10 Projected / b
County Reimbursement for Tax Exemption	$0	$74,231,509	$79,828,168	$85,586,694	$1,000,000
Number of Exemptions Granted	/c	146,836	157,099	$165,596	not projected
Average Property Tax Exempted	n/a	$506	$508	$517	not projected
Percent of Residences Granted Exemption	/c	8.5%	8.9%	9.3%	not projected
Actual Value Exempted	$0	$11,737,065,090	$13,018,439,322	$13,788,163,799	not projected
Assessed Value Exempted	$0	$934,270,381	$1,036,267,770	$1,097,537,838	not projected

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

/b Pursuant to S.B. 09-276, the exemption for senior citizens was suspended for FY 2009-10. The projections for FY 2009-10 are based on the estimate included in the Legislative Council September 2008 revenue forecast and are limited to those persons eligible for the exemption due to their status as disabled veterans.

/c Although the statutory limit on the value that may be exempted was lowered to $0 for Fiscal Years 2003-04 through 2005-06, county assessors continued to receive and approve applications annually. For FY 2003-04, 134,066 exemptions (8.5% of total residential properties) were approved, for FY 2004-05, 137,398 exemptions (8.4% of total residential properties) were approved, and for FY 2005-06, 138,707 exemptions (8.4% of total residential properties) were approved.

State Contributions for Local Fire and Police Pension Plans

Section 31-30.5-307 C.R.S., requires the State to pay part of the unfunded liability of retirement plans that cover police and firefighters who were hired before 1978 ("old hire" pension plans). The

[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 and that such an amount should be included for the purpose of calculating subsequent fiscal year spending limits. However, by the time the State was required to pay the first year reimbursement in April 2003, state revenues no longer exceeded the TABOR limit. Thus, this measure never increased the State's TABOR limit.

Department annually transfers the required amount from the General Fund to the Fire and Police Pension Association (FPPA), which administers these plans. For FY 2005-06 through FY 2008-09, this appropriation is reflected as coming from the General Fund Exempt Account. The annual General Fund transfer is included in the Long Bill for informational purposes; this appropriation is not subject to the statutory limit on General Fund appropriations.

Senate Bill 09-227 suspended the State's annual contribution to FPPA for FY 2008-09, FY 2009-10, and FY 2010-11. Under this bill, payments of $25.3 million will resume starting April 30, 2012, and were extended until April 30, 2015, or until the unfunded liability of the pension plans is eliminated. The bill also requires the unfunded liability to be eliminated by the April 2015 payment. Appendix E details the distribution of state funding among old hire plans since 1980. Since 1980, the State has contributed almost $540 million to the FPPA to eliminate the unfunded liability of the "old-hire" pension plans.

The following table provides a summary of remaining state contributions to "old hire" pension plans required by current law. The amount of the final contribution in April 2015 is based on market conditions that existed in January 2009 and does not reflect the stock market recovery that has occurred since that time.

Fire and Police Pension Association
State-Assisted "Old Hire" Pension Plans

Payment Date	Annual State Contribution Required Under Current Law
April 2010	$0
April 2011	0
April 2012	25,321,079
April 2013	25,321,079
April 2014	25,321,079
April 2015 (estimate)	$83,853,854

Estimate provided by Gabriel, Roeder, Smith, the FPPA actuary, dated January, 2009.

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 2009-10 and FY 2010-11.

Highway Users Tax Fund (HUTF)					
	Actual Revenues and Distributions			Projections	
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Total Revenues	$779,919,938	$804,072,143	$803,803,213	$912,800,000	$942,200,000
Annual Percent Change	100.0%	3.0%	0.0%	11.9%	3.1%
Treasury Distributions					
Counties	$159,869,834	$163,703,451	$155,403,560	$159,528,684	$164,633,602
Municipalities	103,105,022	106,687,933	101,133,396	104,280,011	107,616,971

CoverColorado

Colorado does not require insurance companies that offer individual health coverage to accept everyone who applies, regardless of their health status. The General Assembly created CoverColorado in 1990 to offer health insurance to those "high risk" individuals who are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions.

Until May 1, 2008, the program was funded from premiums, special fees assessed against insurers, gifts, grants, and donations, and with transfers from the Unclaimed Property Fund. It was estimated that the increasing needs of the program would have depleted the Unclaimed Property Fund within five years.

In the 2008 session, the General Assembly passed House Bills 08-1309 and 08-1390 to address CoverColorado. H.B. 08-1309 extended the state's authority to impose assessments against insurance carriers to help fund the program, which had been subject to sunset. H.B. 08-1390 changed the funding structure of the program to: 25% from the Unclaimed Property Fund; up to 25% from special fees assessed against insurers; and 50% from premiums, grants, donations, and other available funds.

In addition, the bills created a task force to develop a plan to fund CoverColorado for at least ten years, considering the following:

- The anticipated enrollment growth of the program;
- The long-term viability of using existing funding sources;
- Increasing the premium tax credit for donations to the program;
- Revising the methods, administration, and collection of the assessment;
- Creating an all-payer system; and
- Reducing claims cost to the program.

The task force submitted its plan to the General Assembly on March 31, 2009.

BASE REDUCTION
PRIORITY LIST

Base Reduction	GF	CF	RF	FF	Total	FTE
1	($28,012)	$0	$0	$0	($28,012)	0.0
Operating Expenses						
Administration. Proposal to reduce operating expenses by 3 percent of the Treasury Departments General Fund operating budget. Department submitted a supplemental to reduce General Fund in FY 2009-10 by the same amount. These reductions will be achieved by reducing printing and reproduction costs, cyber security, miscellaneous operating expenses, an implementation fee for a software package, and an investment subscription that is not necessary under the current market conditions. *Statutory Authority: Section 24-22-107, C.R.S.*						
OSPB Statewide	(888)	0	0	0	(888)	0.0
Various line items.						
Administration. Statewide decision items submitted as part of the August 2009 operating reductions. These change requests will be presented as part of the briefings for other departments						
OSPB Statewide	(19,482)	0	0	0	(19,482)	0.0
Various line items.						
Administration. Statewide decision items submitted with the November 1, 2009 budget submissions. These change requests will be presented as part of the briefings for other departments.						
Total	**($68,752)**	**$0**	**$0**	**$0**	**($68,752)**	**0.0**

FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Treasury

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2009-10 appropriation and its FY 2010-11 request. The GFE column figures show the payments made to the "old hire" police and fire pension plans. These payments are included in the General Fund category and shown for informational purposes.

Total Requested Change, FY 2009-10 to FY 2010-11 (millions of dollars)

Category	GF	CF	RF	FF	Total	GFE	FTE
FY 2008-09 Appropriation	$1.9	$293.7	$0.0	$0.0	$295.6	$0.0	31.5
FY 2009-10 Request	97.5	309.2	0.0	0.0	406.6	0.0	31.5
Increase / (Decrease)	$95.6	$15.4	$0.0	$0.0	$111.0	$0.0	0.0
Percentage Change	4943.2%	5.3%	n/a	n/a	37.5%	n/a	0.0%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2009-10 to FY 2010-11

Category	GF	CF	RF	FF	Total	FTE
Administration						
Operating Expenses - Reduction as part of August supplementals - continued for FY 2010-11.	($28,012)	$0	$0	$0	($28,012)	0.0
Statewide common policy reductions as part of August supplementals - continued for FY 2010-11.	(888)	0	0	0	(888)	0.0
Purchase of Services from Computer Center - OIT base reduction request.	(17,954)	0	0	0	(17,954)	0.0
Capitol Complex Leased Space - DPA base reduction request.	(1,005)	0	0	0	(1,005)	0.0

Category	GF	CF	RF	FF	Total	FTE
Workers' Compensation and Payment to Risk Management and Property Funds - DPA base reduction request.	(523)	0	0	0	(523)	0.0
Subtotal	**($48,382)**	**$0**	**$0**	**$0**	**($48,382)**	**0.0**
Unclaimed Property Program						
Leased Space - Increase per 5-year lease agreement.	0	1,733	0	0	1,733	0.0
Subtotal	**$0**	**$1,733**	**$0**	**$0**	**$1,733**	**0.0**
Special Purpose						
Senior Citizen and Disabled Veterans Property Tax Exemption.	$95,600,000	$0	$0	$0	$95,600,000	0.0
Cover Colorado.	0	7,000,000	0	0	7,000,000	0.0
Highway Users Tax Fund - County Payments.	0	5,104,918	0	0	5,104,918	0.0
Highway Users Tax Fund - Municipality Payments.	0	3,336,960	0	0	3,336,960	0.0
Subtotal	**$95,600,000**	**$15,441,878**	**$0**	**$0**	**$111,041,878**	**0.0**
Net Change	**$95,551,618**	**$15,443,611**	**$0**	**$0**	**$110,995,229**	**0.0**

BRIEFING ISSUE

ISSUE: "Old Hire" Fire and Police Pension Plans

Economic conditions, specifically the State's General Fund revenue shortfall, along with the recent decline in markets, significantly affect the State's obligations to fund contributions to the "old hire" fire and police pension plans.

SUMMARY:

- ❑ To assist in addressing the poor funding status of local pension plans for firefighters and police officers that existed in the late 1970s, the General Assembly has contributed $538 million General Fund to 110 local "old hire" pension plans since 1980.

- ❑ Prior to the 2009 General Assembly session, state law required continued state contributions of at least $25.3 million General Fund each fiscal year through FY 2011-12 unless the state fulfills its obligation ahead of that time, with an extra payment (if necessary) in FY 2011-12 to make up for state contributions that were deferred due to budget constraints during fiscal years 2002-03 through 2004-05.

- ❑ In 2009, the General Assembly passed S.B. 09-227, which suspended state payments to the FPPA for three fiscal years (Fiscal Years 2008-09, 2009-10, and 2010-11). Payments of $25.3 million are scheduled to resume in FY 2011-12 and continue for three additional years (FY 2014-15). The final payment is required to be sufficient to eliminate the state's portion of the unfunded liability. That amount of that payment, (as of January 2009, was projected at $83.9 million) will depend on the returns on the portfolio which may increase or decrease that payment.

DISCUSSION:

Background Information
Prior to 1978, each municipality or fire protection district with paid (rather than volunteer) police officers or firefighters administered its own employee pension plans. Although the General Assembly had provided some state funding for local pension plans and state statutes provided some structure for local plans, the plans' administration was largely a local responsibility. There was no state requirement that these plans be funded on an actuarially sound basis.

After learning in 1977 that these local pension plans had unfunded liabilities exceeding $500 million[2], the General Assembly enacted legislation in 1978 and 1979 to reform these local plans. The "Policemen's and Firemen's Pension Reform Law" (S.B. 78-46) included the following legislative declaration:

> "The general assembly finds and declares that the establishment of statewide actuarial standards regarding funded and unfunded liabilities of policemen's and firemen's pension funds ... is a matter of statewide concern affected with a public interest, and the provision of [this bill] are enacted in the exercise of the police powers of the state for the purpose of protecting the health, peace, safety, and general welfare of the people of this state."

The reform legislation limited membership in existing local pension plans to police officers and firefighters who were hired prior to April 8, 1978 (these plans are now referred to as "old hire" pension plans). In order to fund these programs on an actuarially sound basis, the General Assembly established a program to provide partial state funding for existing ("old hire") plans if local employers agreed to significant increases in employer contributions and minimum member contributions. With respect to newly hired police officers and firefighters, the General Assembly established a new statewide defined benefit plan and created the Fire and Police Pension Association (FPPA) to administer the newly created plan. The statewide plan is funded exclusively through member and employer contributions, and has been actuarially sound since its inception[3].

History of State Contributions for "Old Hire" Pension Plans

The legislation establishing a program to provide partial state funding for old hire pension plans clearly stated that the state's financial assistance was temporary. Specifically, S.B. 79-79 included the following language in the legislative declaration:

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

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[2] To put this figure in perspective, the total state General Fund operating budget in the FY 1978-79 Long Bill was just over $1.0 million. Thus the $500 million shortfall in local plans represented nearly half of the annual state General Fund budget. If the magnitude of this shortfall were adjusted for inflation, they would exceed $1.8 billion.

[3] The September 30, 2008 report to the legislative Police Officer's and Firefighter's Pension Reform Commission indicates that the ratio of the actuarial value of statewide defined benefit plan assets to the actuarial accrued liability is 112.5 percent.

governments that state participation decrease annually, terminating at the earliest possible date." *(emphasis provided)*

Since 1980, the state has contributed a total of $537.8 million to 110 local police and fire departments. [A history of state contributions and the allocation of state funding among local plans is provided in Appendix D.] The state contribution for "old hire" pension plans is determined by statute and consists of General Fund revenues related to insurance company premium taxes. The amount of the annual state contribution to FPPA is reflected as a General Fund appropriation in the Treasury section of the annual Long Bill for informational purposes as required by Section 31-30.5-307 (3), C.R.S. For FY 2005-06 through FY 2008-09, this amount is reflected as coming from the General Fund Exempt Account. Such moneys are transferred pursuant to Section 31-30.5-307 (2), C.R.S., and are not deemed to be an appropriation subject to the limit on General Fund appropriations. The Treasury Department annually transfers the required amount from the General Fund to the FPPA, which distributes the moneys to eligible old hire pension plans[4].

Three times since 1980 (for a total of seven years), the General Assembly has temporarily suspended the state contribution to old hire plans. The first year that the annual state contribution was eliminated was in 1987. In 1995, the state contribution was increased to cover the 1987 payment plus accrued interest. In addition the General Assembly (through S.B. 95-228) increased the annual state contribution from $18.7 million to $25.3 million. The legislation provided that state support would end when the local old hire pension plans became fully funded or in FY 2009-10, whichever came first. Prior to S.B. 95-228, it was anticipated that state funding would continue through 2024. The earlier end-date was intended to coincide with the point at which all "old hire" employees would be retired.

During the ensuing years, the State's contribution to the old hire plans equaled about 41 percent of the total combined contributions of the state, local governments and employees. These combined contributions, along with a robust stock market, reduced the unfunded liabilities of old hire pension plans to a low of $192.7 million in January 2001.

The General Assembly again suspended (through S.B. 03-263) the state contribution for old hire pension plans for FY 2003-04 and FY 2004-05 and extended state payments by two years to FY 2011-12. The legislation required the State to pay the amount of unfunded liability that accrued as a result of the suspension of the state contribution. This additional payment may be made at any time prior to April 30, 2012. Finally, S.B. 03-263 changed the date of the annual payment from September to April, which is more consistent with the State's General Fund cash flow. The annual required $25.3 million state contribution resumed in April 2006.

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

In the 2009 session, the General Assembly passed S.B. 09-227, which suspended contributions for fiscal years 2008-09, 2009-10 and 2010-011, and extended the date for repayment by three additional years until FY 2014-15. Payments of $25.3 million resume in FY 2011-12, with the final payment expected to be $83.9 million in FY 2014-15. Alternatively, the State could make a payment of $137 million in FY 2011-12 and complete its obligation, or extend the payments of $25.3 million through FY 2016-17 and make a final payment of $16.9 million in FY 2017-18. The second alternative would require legislation prior to the final payment currently scheduled in FY 2011-12.

As of December 31, 2007, 94 percent of the 3,605 "old hire" members were retired. Of the 54 affiliated local plans, seven are still receiving state assistance, including:

- Denver Fire
- Denver Police
- Grand Junction Police
- Greeley Fire
- Pueblo Fire
- Lakewood Fire
- North Washington Fire

Future State Contributions for "Old Hire" Pension Plans
Prior to the General Assembly amending the law, the State was required to contribute $25.3 million per year through FY 2011-12 or until the plans are fully funded, whichever comes first, and an additional payment (if necessary) related to recent suspended contributions. Starting in FY 2006-07, the Joint Budget Committee voted to increase the appropriation by $9.5 million. The Committee's plan was based on a scenario which avoids the balloon payment otherwise required in April 2012, and the amount was based on increasing the appropriation for four years, consistent with the Referendum C "time-out" period, and then appropriating the remaining obligation in FY 2010-11 and FY 2011-12, as necessary.

Due to the State's fiscal problems in 2008 and 2009, the State suspended contributions to the plans that had been scheduled for April 30, 2009, April 30, 2010, and April 30, 2011, and extended payments for three years. Based on the value of the FPPA investment portfolio in January 2009, the FPPA's actuaries determined that the State would need to make payments of $25.3 million in FY 2011-12, FY 2012-13, and FY 2013-14, followed by a final payment of $83.9 million in FY 2014-15. The gains realized in markets during 2009 will have reduced that final payment, though the extent will not be known until the FPPA conducts new actuarial projections in late 2009 for release early in 2010.

The State will have the option of extending the payment schedule, if it changes the statute, for three additional years at the $25.3 million level, with a final payment of about $16.9 million in FY 2017-18. However, this delay could end up costing the State far more if market returns on the FPPA investment portfolio fall short of assumptions, leaving the State at risk of being required to make a larger final payment.

The FPPA conducts actuarial projections every two years, so the true extent of the requirements for State contributions will not be known until that report is released for 2010. The plan projects an 8 percent return on investments each year, though actual returns may be higher or lower depending on market conditions. The FPPA investment portfolio grew by 15.3 percent in 2006, by 9.7 percent in 2007, but it lost 27.6 percent in 2008, more than wiping out the gains of the previous two years. While the markets have recovered somewhat during 2009, (a gain of 15.9 percent YTD) the portfolio's value remains below its value at the end of 2007.

BRIEFING ISSUE

ISSUE: CoverColorado

CoverColorado, which is the State's plan to provide medical insurance to citizens of the state who cannot obtain insurance in the markets, requires a State subsidy of $34 million from the Unclaimed Property Trust Fund for FY 2010-11, an increase of $7 million from FY 2009-10. Growth of the subsidy in coming years will deplete the Unclaimed Property Trust Fund, endangering the State subsidy.

SUMMARY:

- ❑ With the passage of H.B. 08-1390, the funding provided by the Unclaimed Property Trust Fund (UPTF) was reduced in FY 2009-10, but has increased for FY 2010-11. Projections show that this increase will continue as the CoverColorado Program grows in future years, leading to the Unclaimed Property Trust Fund being unable to support CoverColorado in the future.

- ❑ The CoverColorado Long-Term Funding Task Force made a number of recommendations for providing adequate funding.

DISCUSSION:

Background Information
Colorado does not require health insurance providers to offer individual health to everyone who applies, regardless of their health status. Like many other states that do not require "guaranteed issue," Colorado created a risk pool to offer subsidized health insurance coverage to those "high risk" individuals who are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions.

House Bill 90-1305 created the "Colorado Uninsurable Health Insurance Plan (CUHIP)." The current term for the plan is the "Colorado High Risk Health Insurance Act," and the program created by the act is called "CoverColorado." CoverColorado is a nonprofit public entity that is governed by a seven-member board of directors, who are appointed by the governor. The board includes four insurance carrier representatives, two individuals who are insured or have been insured under CoverColorado, and one medical professional who specializes in chronic disease. For purposes of TABOR, CoverColorado is defined as a "special purpose authority" [Section 24-77-102 (15) (b) (XII), C.R.S.], and is thus not an agency of the State, is not subject to administrative direction by any department or agency of the State, and is not considered to be part of the State for the purposes of any spending limitations.

CoverColorado enrollees pay relatively high rates, which by statute (Section 10-8-512 (3) (a), C.R.S.) must be between 100 and 150 percent of the standard risk rate charged by the five largest carriers in Colorado with similar plans for health benefit plans. Currently, the rates charged by CoverColorado are set at 140 percent of the standard risk rate. For FY 2008-09, premiums paid by enrollees are projected to return 47.7 percent of CoverColorado's claims and administrative costs. In FY 2005-06, premiums made up almost 65 percent of claims and administrative costs.

Certain individuals are not eligible to enroll in CoverColorado, including prison inmates and residents of public institutions, and individuals eligible for Medicaid. Those who are eligible for CoverColorado fall into one of two eligibility categories. First, of the State residents currently participating in the program, about 70 percent are "medically eligible" for the program because they have:

- applied for health insurance and been rejected because of a medical or health condition;

- applied for and been offered health insurance, but the premium rate exceeds the rate available through CoverColorado, or the coverage includes a reduction or exclusion for a preexisting medical or health condition for a period exceeding six months;

- had a health benefit plan involuntarily terminated by a Colorado insurance carrier for any reason other than nonpayment of premiums; or

- a medical or health condition that presumptively makes them eligible (e.g., diabetes, leukemia, lupus, multiple sclerosis, Parkinson's).

The remaining 30 percent of current CoverColorado participants are considered "federally" eligible for the program due to requirements of the federal Health Insurance Portabilility and Accountability Act of 1996 (HIPAA) and the federal Trade Adjustment Assistance Reform Act of 2002. The HIPAA group includes individuals who have lost group health insurance coverage and do not have coverage under another employer-sponsored program or through a spouse. The Trade Act group includes individuals participating the Trade Adjustment Assistance Program, as well as individuals aged 55 to 64 who receive pension benefits from the federal Pension Benefit Guarantee Corporation.

Program Funding Sources

Section 10-8-530 (1) (a) sets forth the following sources of income for the program:

- Moneys transferred from the Unclaimed Property Trust Fund (UPTF);

- premiums charged to the programs enrollees;

- special fees assessed against insurers; and

- gifts, grants, and donations (which include contributions received pursuant to the premium tax credit allocation provisions), and interest.

The following table provides a summary of CoverColorado costs, premiums, and other sources of revenues.

CoverColorado: Recent Funding History						
Fiscal Year	Claims and Administrative Costs	Premiums Paid by Enrollees	Ratio: Premiums/ Total Costs	Total Subsidy Required	Other Sources of Revenue <a>	Annual Surplus/ (Deficit)
1998-99	$5,300,177	$3,043,656	57.4%	($2,256,521)	$3,685,669	$1,429,148
1999-00	6,600,410	3,388,467	51.3%	(3,211,943)	6,191,425	2,979,482
2000-01	10,163,795	5,149,955	50.7%	(5,013,840)	6,054,890	1,041,050
2001-02	17,715,896	9,380,110	52.9%	(8,335,786)	8,144,133	(191,653)
2002-03	28,163,622	17,064,208	60.6%	(11,099,414)	3,527,552	(7,571,862)
2003-04	34,505,598	21,361,177	61.9%	(13,144,421)	40,843,100	27,698,679
2004-05	34,668,993	21,402,805	61.7%	(13,266,188)	6,268,704	(6,997,484)
2005-06	36,786,073	23,878,912	64.9%	(12,907,161)	14,230,799	1,323,638
2006-07	47,360,495	24,406,715	51.5%	(22,953,780)	18,924,535	(4,029,245)
2007-08	59,467,683	29,000,498	48.8%	(30,467,185)	27,277,766	(3,189,419)
2008-09	76,831,929	37,206,807	48.4%	(39,625,122)	50,965,271	11,340,149
Projections <b>						
2009-10	102,093,224	47,439,053	46.5%	(54,654,171)	62,833,149	8,178,978
2010-11	132,826,816	61,267,028	46.1%	(71,559,788)	72,962,648	1,402,860
2011-12	169,208,025	78,235,282	46.2%	(90,972,743)	90,972,743	0
2012-13	207,567,302	97,008,035	46.7%	(110,559,267)	110,559,267	0

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

As can be seen from the table, projections show that the program's costs will double over the next four years, largely from an increase in members covered and medical inflation. Membership will increase from 9,809 average members in 2009 to 15,902, an increase of over 60 percent for those four years.

This increase in required transfers will result in an unsustainable drain on the UPTF. CoverColorado has requested an additional $7 million for FY 2010-11 over FY 2009-10. Since 25 percent of the program is paid for with a transfer from the UPTF, the growth of the transfer will increase to over $50 million annually by FY 2012-13. By FY 2014-15, the UPTF will no longer be able to transfer 25 percent of the costs for the program. This is illustrated in the following table, which show the UPTF exhausted in FY 2014-15.

Funding Projection for Unclaimed Property Trust Fund ($ Millions)						
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Balance	117.6	98.6	97.1	86.7	66.3	36.9
Net Revenue (Remittances less claims)	30.0	30.0	30.0	30.0	30.0	30.0
Interest Income	4.7	3.9	3.9	3.5	2.7	1.5
Unclaimed Property Program Operating Expenses	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Required Transfers to CoverColorado <a>	(26.7)	(33.5)	(42.3)	(51.9)	(60.0)	(70.0)
Transfer to General Fund	(25.0)	0.0	0.0	0.0	0.0	0.0
Ending Balance	98.6	97.1	86.7	66.3	36.9	(3.6)

<a> Transfers to CoverColorado are based on projections from CoverColorado through FY 2012-13, and extrapolating the growth of the projections through FY 2014-15.

Recommendations of the CoverColorado Long-Term Fund Task Force

In its report to the Legislature, the Task Force had two short-term and five long-term recommendations to the General Assembly in order to provide fiscal stability for the CoverColorado program. These options are briefly outlined here, and are contained in the report given to the General Assembly on March 31, 2009.

Short-Term Recommendations

1. Grant the CoverColorado Board of Directors statutory authority to establish provider rates based upon a multiplier of Medicare reimbursement rates, which would provide immediate cost savings for the program after implementation while ensuring that providers are paid reasonable rates.

2. Authorize the Board to adjust the collection periods for the program's carrier assessment so that payments can be collected on a quarterly or monthly basis instead of semi-annually.

Long-Term Recommendations

3. Provide a more equitable, broad, and sustainable source of funding than the current carrier assessment mechanism though implementing either a health facility fee surcharge in lieu of carrier assessments or by adding third party administrators on a per-covered-life basis to the assessment base.

4. Extend the insurance premium tax credit for ten more years, to 2024, consider raising the $5 million annual maximum, and build flexibility into the annual maximum amount by tying it to the Consumer Price Index to keep the limit current with the rate of inflation.

5. Work with the relevant State and Federal agencies to draw down federal matching dollars through the Upper Payment Limit to effectively double the amount of funding for CoverColorado from eligible sources or revenue streams.

The Task Force did discuss the issue of the Unclaimed Property Trust Fund, but declined to make any recommendations. The task force report states: "Because contributions from the UPF [Unclaimed Property Trust Fund] now are derived from the Fund's principal, instead of just the interest gained, the funding demand for CoverColorado stands to exhaust monies available to the program from the UPF withing the coming decade." In fact, by staff's calculation, the UPTF will be exhausted in FY 2014-15.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Change Requests
DEPARTMENT OF THE TREASURY					
State Treasurer: Cary Kennedy					
(1) ADMINISTRATION					
Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash funds sources are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.					
Personal Services	1,139,342	1,219,169	1,298,635	1,298,635	
FTE	14.2	15.1	16.0	16.0	
General Fund	381,854	222,376	475,678	475,678	
Cash Funds a/	757,488	996,793	822,957	822,957	
Health, Life, and Dental	100,399	123,208	145,818	145,818	
General Fund	60,329	64,309	78,939	78,939	
Cash Funds	40,070	58,899	66,879	66,879	
Short-term Disability	1,908	2,119	2,432	2,432	
General Fund	1,243	1,417	1,645	1,645	
Cash Funds	665	702	787	787	
S.B. 04-257 Amortization Equalization Disbursement	17,312	26,027	35,684	35,684	
General Fund	11,177	15,808	24,115	24,115	
Cash Funds	6,135	10,219	11,569	11,569	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	3,377	12,052	22,280	22,280	
General Fund	2,099	7,509	14,586	14,586	
Cash Funds	1,278	4,543	7,694	7,694	
Salary Survey and Senior Executive Service	49,868	71,339	0	0	
General Fund	32,825	48,625	0	0	
Cash Funds	17,043	22,714	0	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Change Requests
Performance-based Pay Awards	18,820	25,162	0	0	
General Fund	11,839	16,623	0	0	
Cash Funds	6,981	8,539	0	0	
Workers' Compensation and Payment to Risk Management and Property Funds - GF	1,885	2,377	2,344	1,685	OSPB BR
Operating Expense - General Fund	109,888	148,884	225,985	197,973	BR # 1
Information Technology Asset Maintenance	12,568	8,748	12,568	12,568	
General Fund	6,284	2,464	6,284	6,284	
Cash Funds	6,284	6,284	6,284	6,284	
Legal Services for 575 Hours	39,863	39,411	43,344	43,344	
General Fund	19,154	17,820	21,672	21,672	
Cash Funds	20,709	21,591	21,672	21,672	
Purchase of Services from Computer Center - GF	4,937	21,767	21,767	3,813	OSPB BR
Capitol Complex Leased Space - GF	55,200	54,919	55,706	53,949	OSPB BR
Charter Schools Facilities Financing Services - CF b/	2,184	2,579	5,000	5,000	
Discretionary Fund - GF	771	614	5,000	5,000	
					Request v. Appropriation
Subtotal - (1) Administration	1,558,322	1,758,375	1,876,563	1,828,181	-2.6%
FTE	14.2	15.1	16.0	16.0	0.0%
General Fund	699,485	625,512	933,721	885,339	-5.2%
Cash Funds	858,837	1,132,863	942,842	942,842	0.0%

a/ For purposes of this document, revenues received from the Treasury Transaction fees, pursuant to Section 24-36-120, C.R.S. are applied against the Personal Services line item for all fiscal years.

b/ This line is continuously appropriated from the Charter School Financing Administrative Cash Fund pursuant to Section 22-30.5-406 (1) (a), C.R.S.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Change Requests

(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 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Change Requests
Personal Service - CF	643,368	692,158	781,790	781,790	
FTE	9.0	9.2	15.5	15.5	
Operating Expenses - CF	91,351	116,152	124,226	124,226	
Promotion and Correspondence - CF	136,274	150,010	200,000	200,000	
Leased Space - CF	46,103	45,534	50,257	51,990	
Contract Auditor Services - CF a/	800,000	671,736	800,000	800,000	
					Request v. Appropriation
Subtotal - (2) Unclaimed Property Program - Cash Funds	1,717,096	1,675,590	1,956,273	1,958,006	0.1%
FTE	9.0	9.2	15.5	15.5	0.0%

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

(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 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Change Requests
Senior Citizen and Disabled Veteran Property Tax Exemption - GF	79,843,540	85,586,694	1,000,000	96,600,000	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Change Requests
CoverColorado	19,426,146	31,174,631	27,000,000	34,000,000	
Cash Funds	0	31,174,631	27,000,000	34,000,000	
Cash Funds Exempt	19,426,146	0	0	0	
Fire and Police Pension Association "Old-hire" Pension Plans - GFE	34,777,172	0	0	0	
Highway Users Tax Fund - County Payments	163,703,451	155,403,560	159,528,684	164,633,602	
Cash Funds	0	155,403,560	159,528,684	164,633,602	
Cash Funds Exempt	163,703,451	0	0	0	
Highway Users Tax Fund - Municipality Payments	106,687,933	101,133,396	104,280,011	107,616,971	
Cash Funds	0	101,133,396	104,280,011	107,616,971	
Cash Funds Exempt	106,687,933	0	0	0	
					Request v. Appropriation
Subtotal - (3) Special Purpose	404,438,242	373,298,281	291,808,695	402,850,573	38.1%
General Fund	79,843,540	85,586,694	1,000,000	96,600,000	9560.0%
General Fund Exempt	34,777,172	0	0	0	N/A
Cash Funds	0	287,711,587	290,808,695	306,250,573	5.3%
Cash Funds Exempt	289,817,530	0	0	0	N/A
					Request v. Appropriation
Department Total - Department of the Treasury	407,713,660	376,732,246	295,641,531	406,636,760	37.5%
FTE	23.2	24.3	31.5	31.5	0.0%
General Fund	80,543,025	86,212,206	1,933,721	97,485,339	4941.3%
General Fund Exempt	34,777,172	0	0	0	N/A
Cash Funds	2,575,933	290,520,040	293,707,810	309,151,421	5.3%
Cash Funds Exempt	289,817,530	0	0	0	N/A

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **H.B. 09-1257 (Scanlon/Scheffel): Public Funds Deposits & FDIC Limit.** Changes language regarding public funds deposited in a bank or savings and loan association so that the State may invest in any one certificate up to the maximum FDIC insurance limits for a single account (currently $250,000).

- ❑ **H.B. 09-1301 (Judd/Sandoval): Appropriation of Unclaimed Property Trust Fund.** Continuously appropriates moneys to the State Treasurer for the payment of contract auditor services.

- ❑ **S.B. 09-227 (Tapia/Pommer): Assistance to Old Hire FPPA plans.** Suspends for three fiscal years (FY 2008-09, FY 2009-10, and FY 2010-11) the payments to the Fire and Police Pension Association (FPPA) "old-hire" pension, and extends the payments for three years (FY 2014-15).

- ❑ **S.B. 09-276 (White/Pommer): Suspend Property Tax Exemptions.** Suspends the Senior Citizen Property Tax Exemption for FY 2009-10, leaving in place the exemption for Disabled Veterans.

APPENDIX C: UPDATE OF FY 2009-10 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

1 All Departments, Totals - Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2008-09. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.-1023.

Comment: This footnote does not apply to the Department. It does not receive federal funding.

Requests for Information

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

Comment: The State Treasurer included the requested report as part of the State Treasurer's annual budget request. The document includes data for a number of funds and portfolios, including: the Treasury Pool Combined as well as its constituent parts[5], 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.

The performance of the various funds are summarized in the table below.

[5] The Treasury Pool is one portfolio that pools most agencies' cash for investment purposes, and earning are allocated out at a blended rate. Statutorily, this portfolio is invested for no longer than five years.

Investment Results for the State's Various Investment Funds Fiscal Year 2008-09				
Fund Name	Average Portfolio (000,000)	Income Realized (000,000)	Performance	Benchmark
Colorado Treasury Pool	$3,123.0	$138.2	4.4%	1.4%
Colorado Treasury Cash	2,705.6	39.2	1.4%	0.4%
Colorado Treasury Pool Combined	5,828.6	177.4	3.0%	1.1%
Colorado State Education Fund	412.5	13.4	3.2%	1.4%
Colorado Major Medical Insurance Fund	163.0	7.4	4.6%	2.8%
Colorado Public School Permanent Fund	572.4	29.2	5.1%	2.3%
Unclaimed Property Tourism Fund	65.9	3.1	4.8%	2.8%

A copy of the reports for each of these funds is included at the back of this appendix.

2. **Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, 2009, information concerning expenditures related to the Department's bank services contract(s) which are paid through deductions from interest earned on bank account balances. The State Treasurer is requested to include actual expenditures for FY 2008-09 as well as projected expenditures for FY 2009-10. The requested report should be submitted as part of the State Treasurer's annual budget request.

   Comment: The State Treasurer included the requested report as part of the State Treasurer's annual budget request. The report shows that net bank service costs totaled $1.9 million for FY 2008-09, and are estimated at $1.9 million for FY 2009-10. These expenditures are partially offset by earnings allowances of about $200,000, leaving net expenditures for the State of $1.7 million for each of the two fiscal years. This report is included at the back of this appendix.

3. **Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, 2009, information concerning state revenues and expenditures related to the issuance of tax and revenue anticipation notes for school districts pursuant to Section 29-15-112, C.R.S. The State Treasurer is requested to include actual data for FY 2008-09, as well as projected data for FY 2009-10. The requested information should be submitted as part of the State Treasurer's annual budget request.

   Comment: The State Treasurer included the requested report as part of the State Treasurer's annual budget request.

   Background Information. Since 1993, Section 22-54-110, C.R.S., has directed the Treasury Department to provide interest-free loans to school districts in order to alleviate short-term cash flow deficits. The interest-free school loan program was created when the General

Assembly mandated that the fiscal year for all school districts be converted from a calendar year to a year ending June 30, consistent with the State's fiscal year. The State Treasurer pays each school district the State's share of the district's total program funding in twelve equal installments [see section 22-54-115 (3), C.R.S.]. As the district's share of total program funding primarily consists of property taxes, the local share of funding is largely not available until late in the fiscal year. Particularly for those districts with a relatively large local share of funding, the timing of property tax receipts creates the possibility of cash flow deficits during certain months of the year.

Prior to reforms enacted in 2003, the Treasurer used General Fund moneys to make interest-free cash flow loans to school districts. This resulted in a loss of interest earnings on the General Fund (e.g. $6.3 million in FY 1999-00). The General Assembly modified the school loan program in 2003[6] to alleviate the impact of the loan program on the State's cash flow and to better ensure that school districts do not default on their loans. Specifically, H.B. 03-1274 [see Section 22-54-110 and 29-15-112, C.R.S.] included the following provisions:

- Permits the State Treasurer to issue tax and revenue anticipation notes for the purpose of making interest-free loans to school districts to alleviate temporary cash flow deficits. Specifies that the proceeds of notes, along with any associated investment earnings, may be used to make loans, to pay note issuance costs and associated expenses, and to pay the principal and interest on the notes. Requires notes to mature on or before August 31 of the fiscal year immediately following the fiscal year in which the notes are issued.

- Requires a school district seeking a loan from the State Treasurer to submit any actual or projected financial or budgetary statements required by the State Treasurer to determine that the district will have a general fund cash deficit and that the district will be able to repay the loan by June 25 of the state fiscal year in which the loan is made. If a school district seeks to have notes issued on its behalf, requires the chief financial officer of the district and the district superintendent to request and obtain prior approval from the district board of education and to include specified need-related information in the request. Specifies that interest shall accrue on the loans if the loans are not repaid on or before the repayment date.

- Permits the State Treasurer to make a low-interest, emergency loan to a school district that has a cash flow deficit and that does not receive enough moneys from interest-free loans made from note proceeds. Establishes the interest rate for low-interest loans.

Under these reforms, the Treasury Department is now able to closely monitor the districts that borrow money and can reject a district's loan application if the district's ability to repay the

[6] Three bills concerning the school loan program passed in the 2003 Session: S.B. 03-158, H.B. 03-1032, and H.B. 03-1274.

loan is in question. In addition, by issuing tax and revenue anticipation notes and obtaining very clear information about participating district's cash flow needs, the Treasurer is able to issue the notes and invest the proceeds during the time that districts do not require the funding. This practice has significantly reduced the cost to the General Fund, and if the investment earnings exceed the interest paid on the notes and the cost of issuance, the State actually receives a net gain.

Current Participation. In FY 2008-09, the Treasury issued a total of $515 million in the tax and revenue anticipation notes. The program resulted in a net loss to the State General Fund of $2.5 million in FY 2008-09. The Districts' demand for loans to cover cash flow deficits is generally greatest in the months of December and January, with most occurring from October through April. A copy of the data provided by the Department for FY 2008-09 and FY 2009-10 (estimated) is provided at the back of this appendix.

4. **Department of the Treasury, Special Purpose, CoverColorado** -- Pursuant to Section 10-8-530 (4) (c) (I), C.R.S., the Executive Director of CoverColorado is required to report annually to the Joint Budget Committee concerning actual program receipts and expenditures. In addition, the Department is requested to work with the Executive Director to provide reports to the Joint Budget Committee by October 1, 2009, and by February 1, 2010, that contain enrollment, revenue, expenditure, and assessment projections for the CoverColorado program for FY 2008-09 and FY 2009-10.

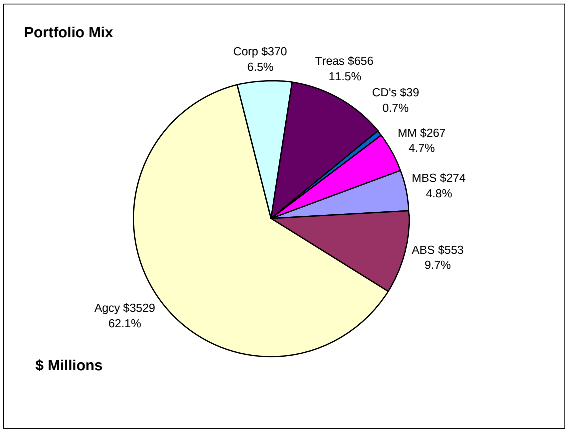
Comment: CoverColorado provided information regarding enrollment, revenue, expenditure and assessment projections for 2009 and 2010. This information is shown in the table below:

CoverColorado Program Costs and Funding Projections for 2009 and 2010		
	2009	2010
Program Costs		
Incurred Claims	$89,129,792	$114,963,046
Administrative Expenses	$5,944,207	$6,904,682
Total	$95,073,999	$121,867,728
Program Funding		
Special Fees	$24,174,430	$30,466,932
Unclaimed Property Fund	$24,174,430	$30,466,932
Premiums	$42,037,150	$54,282,052
Premium Tax Credit	$5,000,000	$5,000,000
Interest	$1,629,977	$1,651,812
Grants	$1,278,056	$0
Total	$98,294,043	$121,867,728

5. **Department of the Treasury, Special Purpose, Fire and Police Pension Association - Old Hire Plans** -- The Fire and Police Pension Association is requested to submit an annual report of operations and investments for state-supported programs to the Joint Budget Committee by October 1, 2009. This report shall include the following: (1) the amount of additional funding the State is required to transfer to the Association pursuant to Section 31-30.5-307 (5) (b), C.R.S., assuming such payment is made on April 30, 2012, along with a description of the actuarial assumptions used to calculate this amount; (2) the current estimated unfunded liability for each local plan still eligible to receive state assistance; and (3) the projected remaining funded period for each local plan still eligible to receive state assistance.

Comment: The Fire and Police Pension Association submitted the required report. The plan is further discussed in a briefing issue.

Colorado Treasury Pool Combined
September 30, 2009



Portfolio Value

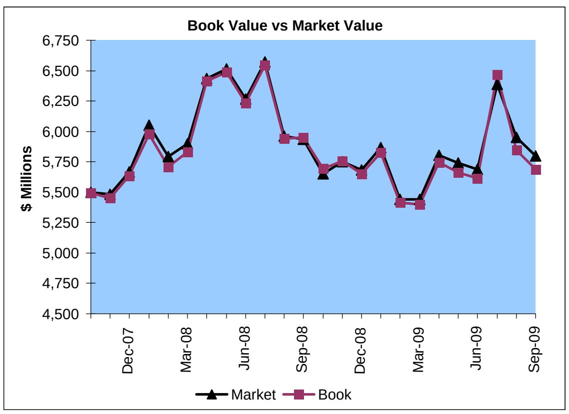
Market Value	$5,799.9	Million
Book Value	$5,687.8	Million

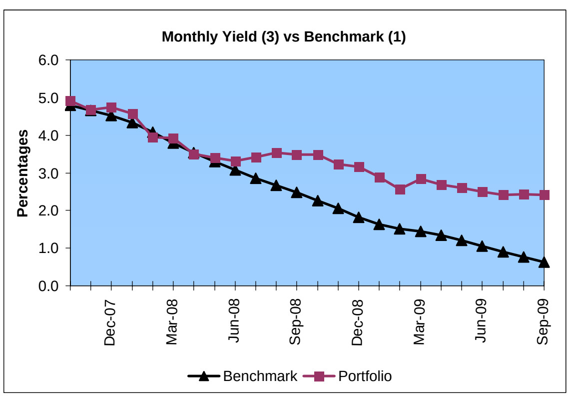
Yield and Average Maturity

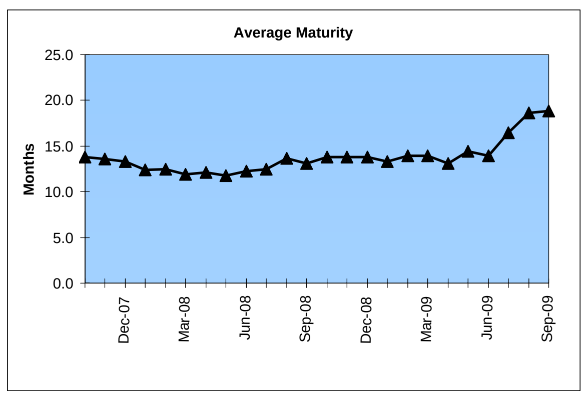
Portfolio Book Yield	2.4%	
Portfolio Average Maturity	18.8	Months

Portfolio Quality

	AAA	AA	A	BBB	BB	Other	Portfolio Percent
Asset Backed	100.0%						9.7%
Corporates	2.4%	38.2%	36.4%	12.1%	9.5%	1.4%	6.5%
Mortgage Securities	100.0%						4.8%
Commercial Paper							
Treasuries	100.0%						11.5%
Federal Agencies	100.0%						62.1%
Certificates of Deposit						100.0%	0.7%
Money Market Funds						100.0%	4.7%
Total Portfolio	88.3%	2.5%	2.4%	0.8%	0.6%	5.4%	100.0%







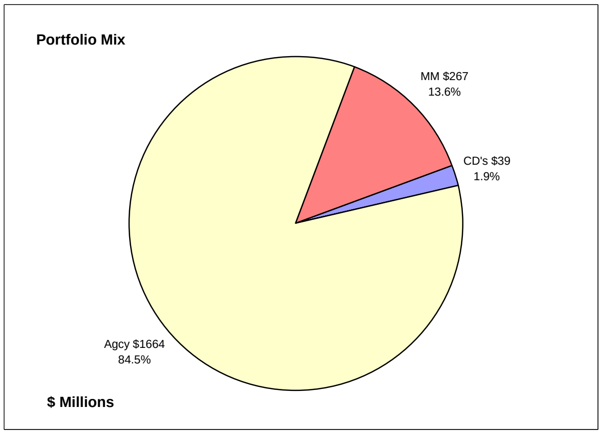
	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '10 YTD	5,914.2	35.8 [3]	2.4%	0.6%
Last 12 months	5,762.9	159.5 [3]	2.8%	0.6%
FY '09	5,828.6	177.4	3.0%	1.1%
FY '08	5,835.7	249.9	4.3%	3.1%
FY '07	5,122.0	244.3	4.7%	5.0%
FY '06	4,550.8	182.4	4.0%	4.4%
FY '05	3,863.7	125.8	3.3%	2.7%
Avg FY '05-'09	5,040.2	196.0	3.9%	3.3%

(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, 2009



Portfolio Value

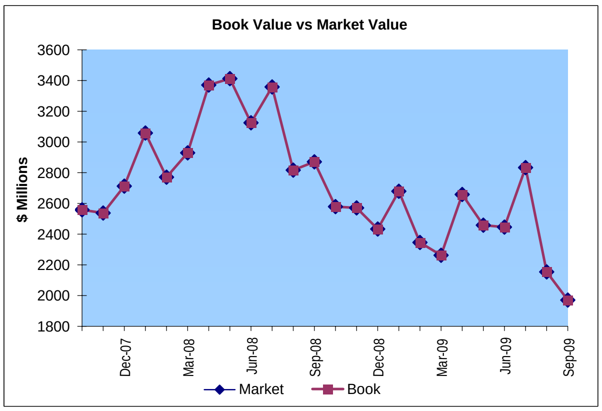
Market Value	$1,969.5	Million
Book Value	$1,969.5	Million

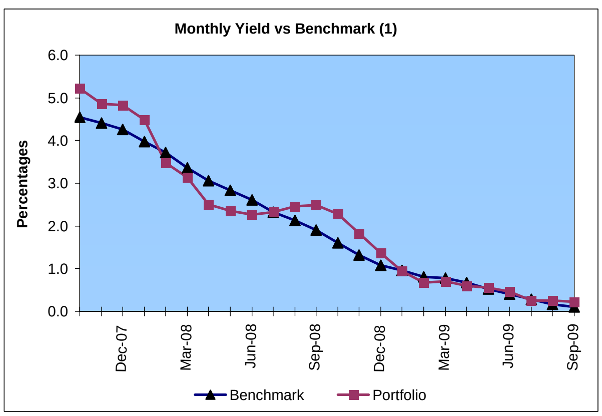
Yield and Average Maturity

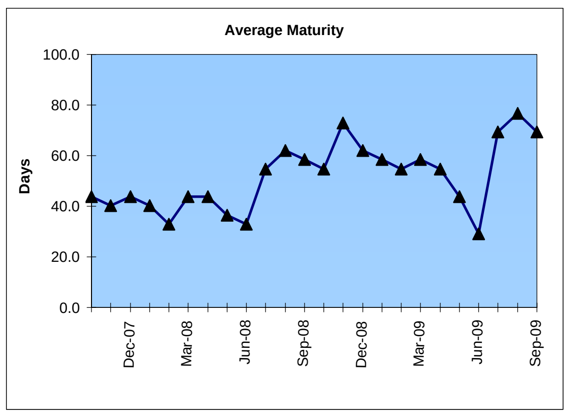
Portfolio Book Yield	0.3%	
Portfolio Average Maturity	69	Days

Portfolio Quality

	AAA	Other	Portfolio Percent
Commercial Paper			0.0%
Federal Agencies	100.0%		84.5%
Treasuries			0.0%
Certificates of Deposit		100.0%	1.9%
Money Market Funds		100.0%	13.6%
Total Portfolio	84.5%	15.5%	100.0%



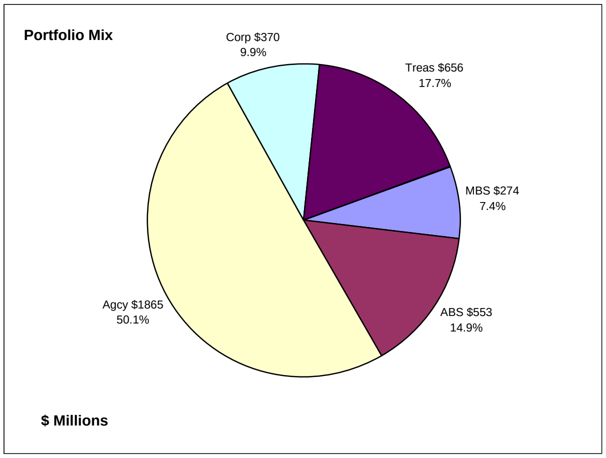




	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '10 YTD	2,396.2	1.5	0.3%	0.1%
Last 12 months	2,537.8	22.1	0.9%	0.1%
FY '09	2,705.6	39.2	1.4%	0.4%
FY '08	2,895.9	114.9	4.0%	2.6%
FY '07	2,312.0	123.6	5.3%	4.8%
FY '06	1,911.2	79.9	4.2%	4.0%
FY '05	1,595.8	34.9	2.2%	2.1%
Avg FY '05-'09	2,284.1	78.5	3.4%	2.8%

(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, 2009



Portfolio Value

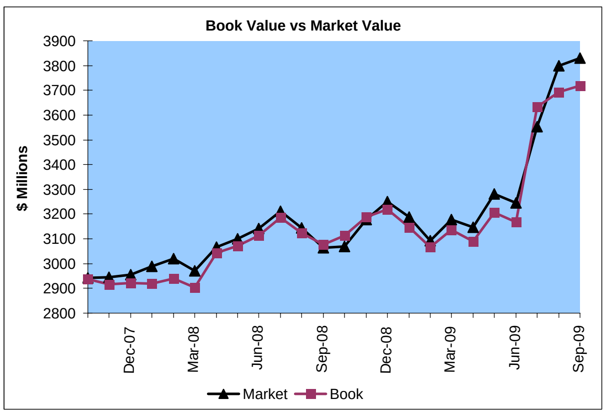
Market Value	$3,830.4	Million
Book Value	$3,718.3	Million

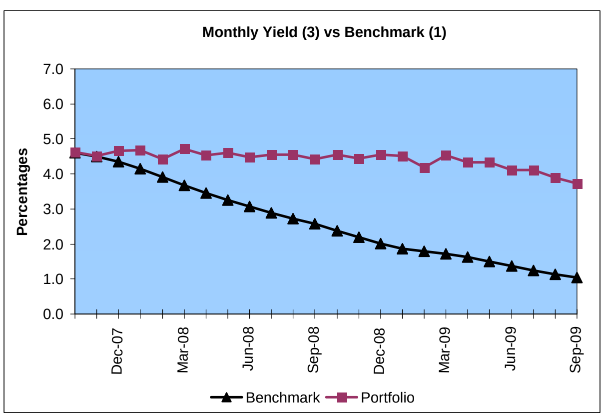
Yield and Average Maturity

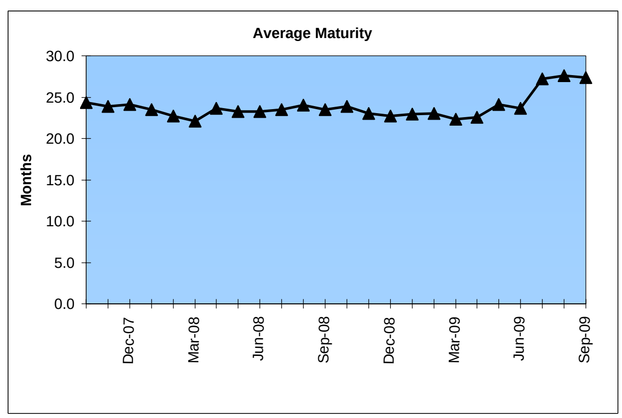
Portfolio Book Yield	3.9%	
Portfolio Average Maturity	27.4	Months

Portfolio Quality

	AAA	AA	A	BBB	BB	Other	Portfolio Percent
Asset Backed	100.0%						14.9%
Corporates	2.4%	38.2%	36.4%	12.1%	9.5%	1.4%	9.9%
Mortgage Securities	100.0%						7.4%
Treasuries	100.0%						17.7%
Federal Agencies	100.0%						50.1%
Total Portfolio	90.3%	3.8%	3.6%	1.2%	1.0%	0.1%	100.0%



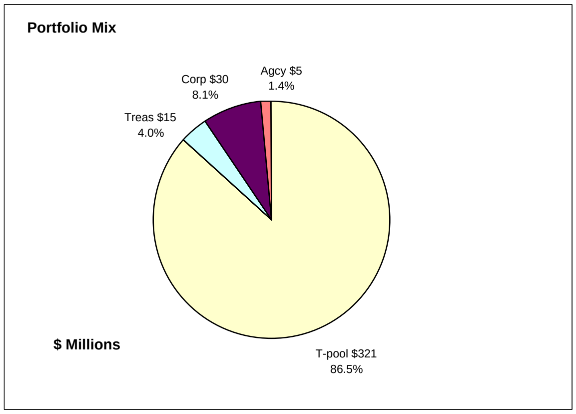




	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '10 YTD	3,518.1	34.3 [3]	3.9%	1.0%
Last 12 months	3,225.1	137.4 [3]	4.3%	1.0%
FY '09	3,123.0	138.2	4.4%	1.4%
FY '08	2,939.8	134.9	4.6%	3.1%
FY '07	2,810.1	120.6	4.2%	4.8%
FY '06	2,639.7	102.6	3.8%	4.5%
FY '05	2,267.9	90.9	4.0%	3.1%
Avg FY '05-'09	2,756.1	117.4	4.2%	3.4%

(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 State Education Fund
September 30, 2009



Portfolio Value

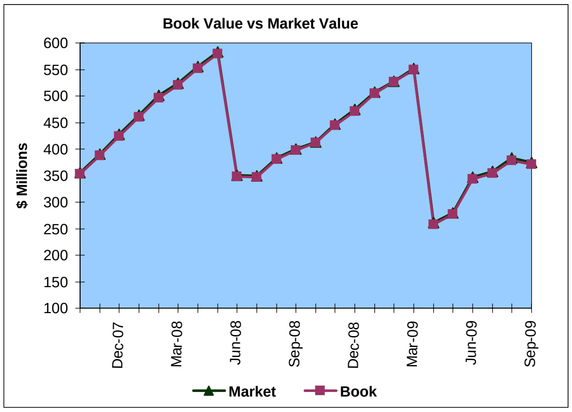
Market Value	$374.4	Million
Book Value	$370.5	Million

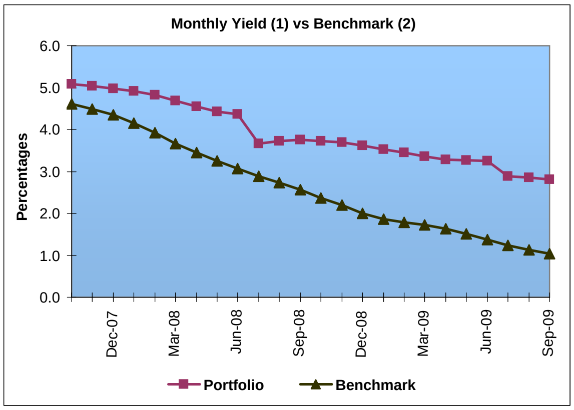
Yield and Average Maturity

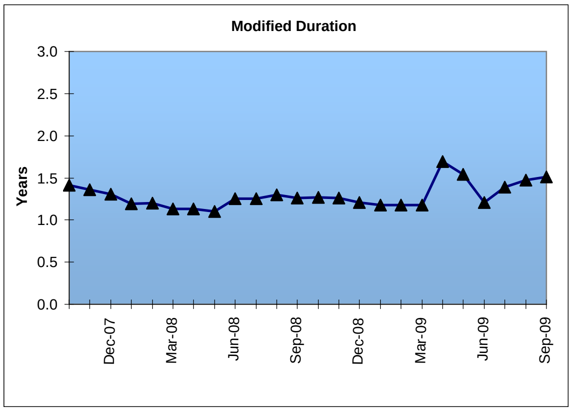
Portfolio Book Yield	2.8%	
Portfolio Average Duration	1.5	Yrs

Portfolio Quality

	AAA	AA	A	BBB	BB	Other	Portfolio Percent
Corporates		50.0%	50.0%				8.1%
Treasuries	100.0%						4.0%
Federal Agencies	100.0%						1.4%
T-Pool Combined	88.3%	2.5%	2.4%	0.8%	0.6%	5.4%	86.5%
Total Portfolio	81.8%	6.2%	6.1%	0.7%	0.5%	4.7%	100.0%



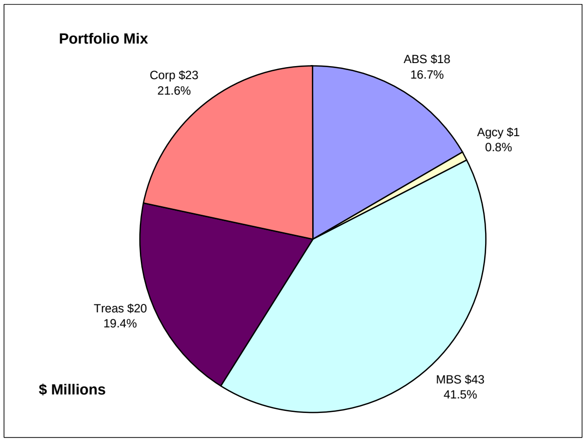




	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (3)
FY '10 YTD	350.8	2.5	2.8%	1.0%
Last 12 months	411.5	12.5	2.9%	1.0%
FY '09	412.5	13.4	3.2%	1.4%
FY '08	383.2	16.7	4.3%	3.1%
FY '07	272.0	13.4	4.9%	4.8%
FY '06	209.3	9.3	4.5%	4.5%
FY '05	234.9	9.1	3.9%	3.1%
Avg FY '05-'09	302.4	12.4	4.2%	3.4%

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

Colorado Major Medical Insurance Fund
September 30, 2009



Portfolio Value

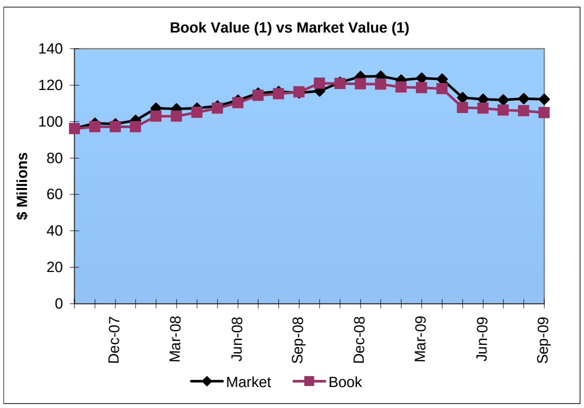
Market Value (1)	$112.3	Million
Book Value (1)	$104.9	Million

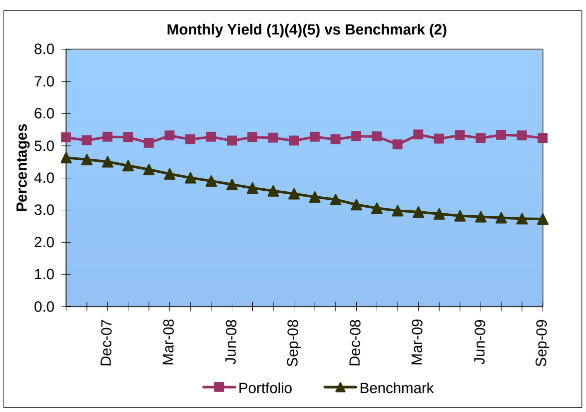
Yield and Duration

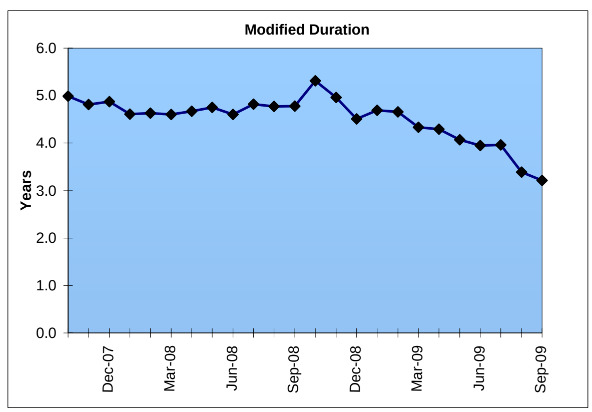
Portfolio Book Yield	4.7%	
Portfolio Modified Duration	3.2	Yrs

Portfolio Quality

	AAA	AA	A	BBB	Portfolio Percent
Asset Backed	100.0%				16.7%
Corporates	11.0%	28.6%	56.0%	4.4%	21.6%
Federal Agencies	100.0%				0.8%
Mortgage Securities	100.0%				41.5%
Treasuries	100.0%				19.4%
Total Portfolio	80.7%	6.2%	12.1%	1.0%	100.0%





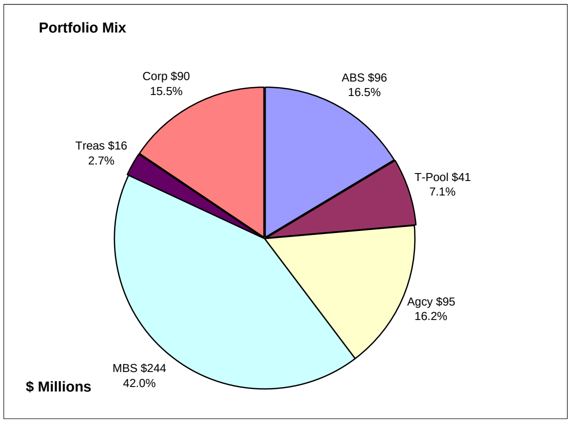


	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (3)
FY '10 YTD	127.4	1.5 [5]	4.7%	2.7%
Last 12 months	156.8	7.2 [5]	4.6%	2.7%
FY '09	163.0	7.4 [4]	4.6%	2.8%
FY '08	133.7	6.6	4.9%	3.8%
FY '07	76.2	3.8	5.0%	4.7%
FY '06	49.4	2.3	4.7%	4.5%
FY '05	16.3	0.5	5.0%	4.0% First Investments 11/04
Avg FY '06-'09	105.6	5.0	4.8%	4.0%

(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, 2009

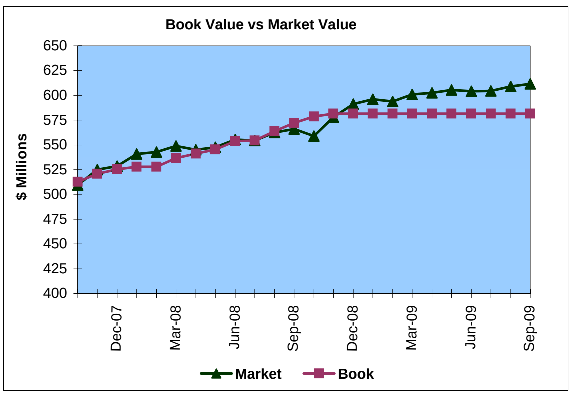


Portfolio Value

Market Value	$611.6	Million
Book Value	$581.5	Million

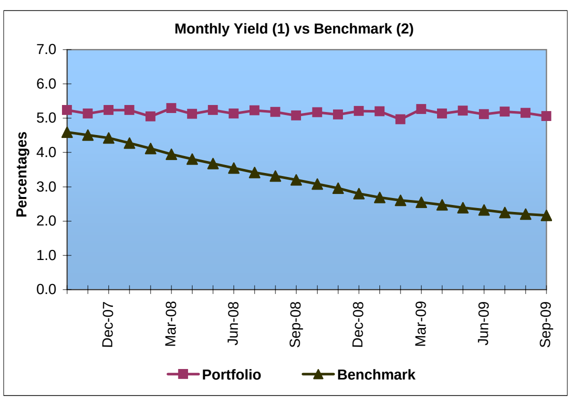
Yield and Average Maturity

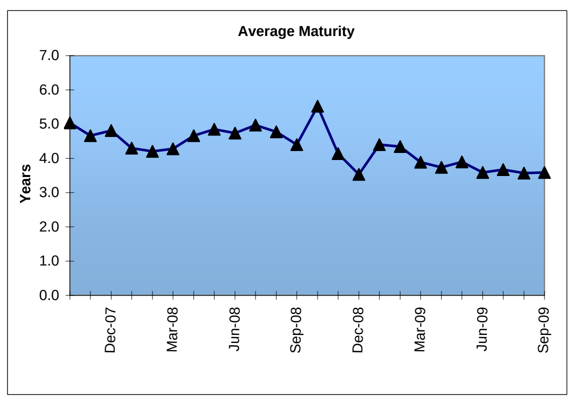
Portfolio Book Yield	4.9%	
Portfolio Average Maturity	3.6	Yrs



Portfolio Quality

	AAA	AA	A	BBB	BB	Other	Portfolio Percent
Asset Backed	100.0%						16.5%
Corporates	7.7%	44.2%	35.9%	12.2%			15.5%
Mortgage Securities	100.0%						42.0%
Treasuries	100.0%						2.7%
Federal Agencies	100.0%						16.2%
T-Pool Combined	88.3%	2.5%	2.4%	0.8%	0.6%	5.4%	7.1%
Total Portfolio	84.9%	7.0%	5.7%	2.0%	0.0%	0.4%	100.0%



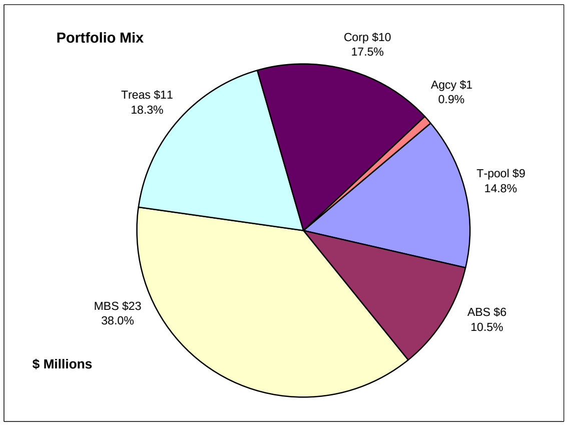


	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (3)
FY '10 YTD	580.8	7.2	4.9%	2.2%
Last 12 months	579.2	29.3	5.1%	2.2%
FY '09	572.4	29.2	5.1%	2.3%
FY '08	519.3	27.1	5.2%	3.6%
FY '07	470.2	24.6	5.2%	4.7%
FY '06	418.7	22.2	5.3%	4.5%
FY '05	376.9	21.4	5.7%	3.7%
Avg FY '05-'09	471.5	24.9	5.3%	3.8%

(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, 2009



Portfolio Value

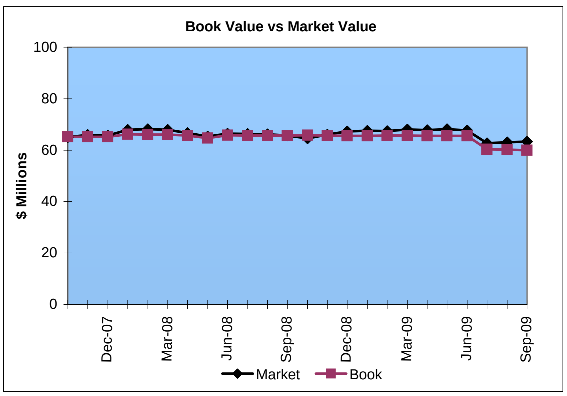
Market Value	$63.3	Million
Book Value	$60.0	Million

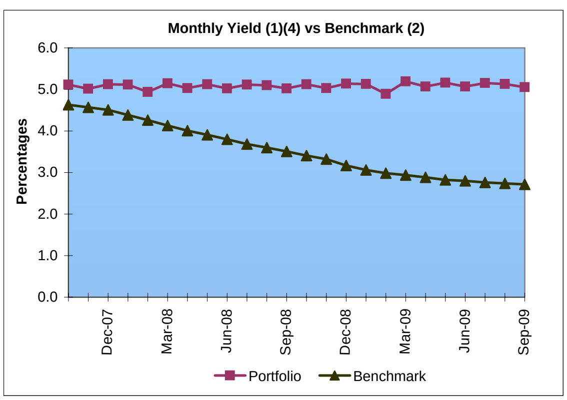
Yield and Average Maturity

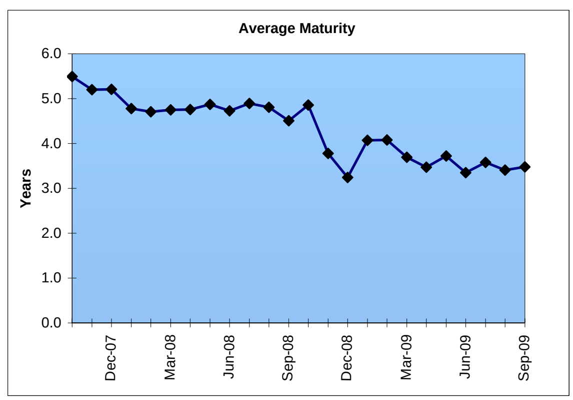
Portfolio Book Yield	4.7%	
Portfolio Average Maturity	3.5	Yrs

Portfolio Quality

	AAA	AA	A	BBB	BB	Other	Portfolio Percent
Asset Backed	100.0%						10.5%
Corporates	4.8%	23.8%	61.9%	9.5%			17.5%
Federal Agencies	100.0%						0.9%
Mortgage Securities	100.0%						38.0%
Treasuries	100.0%						18.3%
T-Pool Combined	88.3%	2.5%	2.4%	0.8%	0.6%	5.4%	14.8%
Total Portfolio	81.6%	4.5%	11.2%	1.8%	0.1%	0.8%	100.0%







	$ Millions Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (3)	
FY '10 YTD	60.9	0.7 [4]	4.7%	2.7%	
Last 12 months	64.6	3.1 [4]	4.7%	2.7%	
FY '09	65.9	3.1	4.8%	2.8%	
FY '08	65.7	3.3	5.0%	3.8%	
FY '07	64.9	3.3	5.0%	4.7%	
FY '06	59.1	2.6	4.5%	4.5%	
FY '05	19.9	0.3	3.5%	4.0%	First Investments 5/05
Avg FY '06-'09	63.9	3.1	4.8%	4.0%	

(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.

Bank Services Contract Expenditures for FY 2008-09 & 2009-10

Vendor	Services Provided	Actual FY 2008-09	Estimated FY 2009-10
CHASE BANK	Bank account services *	$1,061,917	$1,062,000
WELLS FARGO	Bank account services *	281,508	282,000
KEY BANK	Lockbox services *	427,138	427,000
JPMORGAN	Securities safekeeping	91,432	92,000
JPMORGAN	Investment management services	56,026	56,000
	SUBTOTAL	**$1,918,021**	**$1,919,000**
	Earnings Allowances	(213,489)	(200,000)
	TOTAL	**$1,704,532**	**$1,719,000**

* At this time Treasury has no reason to believe that annual transaction volumes will differ significantly from FY 2008-09 to FY 2009-10.

School District TRAN Revenues & Expenditures for FY 2008-09 & 2009-10

	Actual FY 2008-09	Actual / Estimate FY 2009-10
SERIES A Principal	$215,000,000	$255,000,000
Net Interest Cost	*1.55%*	*.58%*
SERIES B Principal	$300,000,000	(est.) $300,000,000
Net Interest Cost	*.97%*	*(a)*
Total Principal	**$515,000,000**	**$555,000,000**
Total Revenues:		
Premium	$523,100	$3,468,150 (b)
Interest Earned	$3,039,827	(c)
Total Expenditures:		
Issue Costs	($241,181)	($270,708) (b)
Interest Due	($5,817,153)	($4,961,111) (b)
General Fund Net (Loss) Gain	**($2,495,407)**	**(c)**

(a) The Net Interest Cost of the December issuance cannot be estimated due to the volatility of current interest rates.
(b) Figures shown relate to Series A Notes only.
(c) The Interest Earned, and therefore the net gain or loss, by these funds while they are held in Treasury's pooled cash cannot be estimated due to the following:

i) The volatility of current interest rates;
ii) The uncertainty of how much, and when, school districts will require loans from Series B; and
iii) The uncertainty of the timing of the loan repayments by each school district.

APPENDIX D

HISTORY OF STATE CONTRIBUTIONS FOR LOCAL FIRE AND POLICE "OLD HIRE" PENSION PLANS												
				Allocation of State Funding								
Calendar Year	**State Funding Distributed**	**Number of Local Departments Receiving Assistance**	**Unfunded Liabilities for State-Assisted Plans (as of January 1)**	**Denver Fire**	**Denver Police**	**Grand Junction Police**	**Greeley Fire (Union Colony)**	**Pueblo Fire**	**Lakewood Fire**	**La Salle Police**	**North Washington Fire**	**All Other Departments**
1980	12,836,685	110		$3,771,024	$5,217,378	$100,170	$127,253	$588,874	$187,769	$1,216	$0	$2,843,001
1981	12,802,137	104		3,765,292	5,209,461	100,026	129,062	587,991	187,479	1,216	0	2,821,610
1982	12,182,247	53		3,705,611	5,126,864	98,435	127,015	578,672	181,559	0	0	2,364,091
1983	13,377,647	24		4,269,808	5,823,633	120,118	137,293	558,101	237,117	790	65,622	2,165,165
1984	13,748,680	27		4,381,566	5,975,314	123,326	140,924	572,632	243,352	825	67,369	2,243,372
1985	13,760,637	25		4,387,978	5,984,790	123,447	141,088	573,530	243,673	812	67,441	2,237,878
1986	14,373,580	25		4,631,455	6,284,704	132,093	154,228	518,599	270,080	1,725	64,825	2,315,871
1987	0	<a>		0	0	0	0	0	0	0	0	0
1988	15,635,036	20		5,213,388	7,365,925	137,797	162,027	514,734	287,816	1,790	60,285	1,891,274
1989	16,255,531	15		5,439,598	7,685,535	143,776	169,057	537,069	293,257	1,868	62,902	1,922,469
1990	16,872,428	14	539,957,345	5,801,518	8,073,671	164,946	228,528	643,205	335,620	2,915	70,597	1,551,428
1991	17,497,875	14		6,016,576	8,372,956	171,060	237,000	667,048	348,061	3,023	73,214	1,608,937
1992	18,117,025	14	558,202,747	6,352,828	8,543,510	196,024	250,509	671,477	355,711	3,422	67,105	1,676,439
1993	18,721,079	14		6,564,643	8,828,366	202,560	258,862	693,865	367,571	3,536	69,342	1,732,334
1994	18,721,079	14	523,387,464	6,736,573	8,813,857	260,829	309,892	646,754	454,394	5,781	70,509	1,422,490
1995	50,821,079	25 <b>		17,429,905	23,295,232	494,793	858,347	1,706,086	1,081,192	7,506	239,709	5,708,309
1996	25,321,079	13	489,370,179	9,013,527	11,403,843	261,284	595,560	875,110	614,795	7,819	141,933	2,407,208
1997	25,321,079	13		9,013,527	11,403,843	261,284	595,560	875,110	614,795	7,819	141,933	2,407,208
1998	25,321,079	12	402,280,285	9,172,120	11,604,493	265,881	606,039	890,508	625,612	7,957	144,430	2,004,039
1999	25,321,079	12		9,172,120	11,604,493	265,881	606,039	890,508	625,612	7,957	144,430	2,004,039
2000	25,321,079	8	228,992,713	9,827,860	12,434,131	284,890	649,366	954,172	670,339	8,526	154,756	337,039
2001	25,321,079	8	192,701,510	9,960,439	12,601,870	288,733	658,126	967,044	679,382	8,641	156,844	0
2002	25,321,079	8	209,260,049	9,960,439	12,601,870	288,733	658,126	967,044	679,382	8,641	156,844	0
2003	0	<c>	315,447,747	0	0	0	0	0	0	0	0	0
2004	0	<c>	369,653,010	0	0	0	0	0	0	0	0	0
2005	0	<c>	369,637,497	0	0	0	0	0	0	0	0	0
2006	25,321,079	8	321,204,615	9,960,439	12,601,870	288,733	658,126	967,044	679,382	8,641	156,844	0
2007	34,774,141	7	247,378,746	13,683,617	17,312,406	396,660	904,131	1,328,522	933,333	0	215,472	0
2008	34,777,172	7	160,858,757	13,684,809	17,313,915	396,695	904,210	1,328,638	933,414	0	215,491	0
2009	0	<d>	257,043,750	0	0	0	0	0	0	0	0	0
	537,842,690			191,916,660	251,483,930	5,568,174	10,266,368	20,102,337	12,130,697	102,426	2,607,897	43,664,201
Percent of Total State Contributions to Department				35.7%	46.8%	1.0%	1.9%	3.7%	2.3%	0.0%	0.5%	8.1%

<a> A total of 25 departments would have been eligible to receive state assistance in 1987
<b> This amount includes those plans that would have been eligible for state assistance in 1987
<c> A total of eight departments would have been eligible to receive state assistance in these three years
<d> Seven plans would be eligible to receive assitance in 2009.