COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2007-08 STAFF BRIEFING:

DEPARTMENT OF TREASURY

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

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November 14, 2006

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FY 2007-08 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE:

DEPARTMENT OF TREASURY

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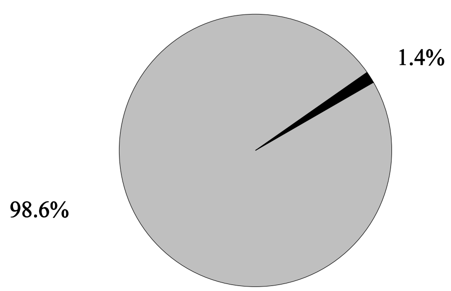

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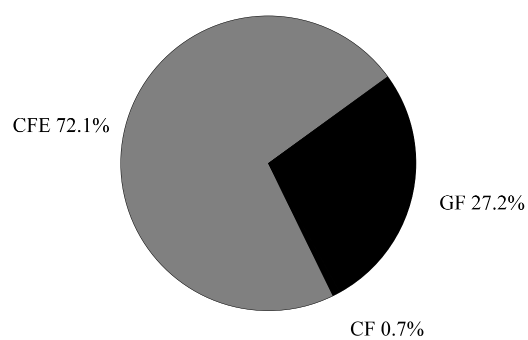

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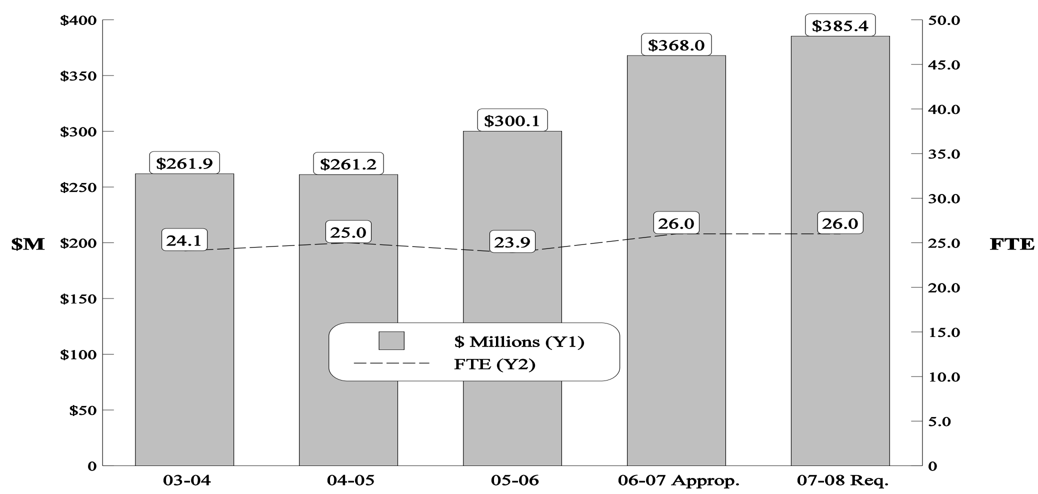

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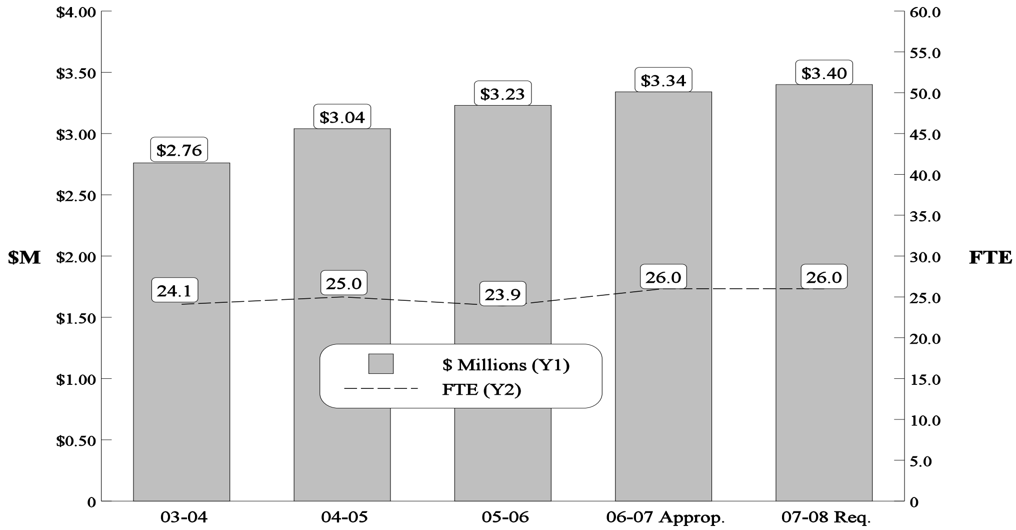

Key Responsibilities

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 and making loans from the General Fund
- 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 payments 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

Senior Citizen Property Tax Exemption

Article X, Section 3.5 of the Colorado Constitution, approved by voters in November 2000 and implemented through Sections 39-3-201 to 208, C.R.S., grants a property tax exemption to qualifying senior citizens and disabled veterans[1]. This provision exempts from taxation 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.

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[1] 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 a property owner-occupier who 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. [Appendix A provides details related to the 2002 exemption for each county.] The General Assembly lowered this amount from $200,000 to $0 for tax years 2003, 2004, and 2005, thereby eliminating the associated state expenditures for fiscal years 2003-04, 2004-05, and 2005-06. State payments thus resume in FY 2006-07. The actual amount of the payment required in FY 2006-07 will not be known until early April 2007.

These payments <u>are</u> subject to the TABOR limitation on fiscal year spending[2], but are <u>not</u> subject to the statutory six percent limit on General Fund appropriations. The costs associated with the exemption are treated outside of the six percent limit and are not built into the funding base used to calculate the limit for subsequent fiscal years Estimated General Fund expenditures are included in the Department of Treasury's budget for informational purposes.

Senior Citizen Property Tax Exemption

	FY 02-03 Actual	FY 03-04 Actual	FY 04-05 Actual	FY 05-06 Approp.	FY 06-07 Approp. /a
County Reimbursement for Tax Exemption	$61,491,764	$0	$0	$0	$64,600,000
Number of Exemptions Granted /b	123,326	134,066	137,398	138,707	not projected
Average Property Tax Exempted	$499	$0	$0	$0	not projected
Percent of Residences Granted Exemption	8.0%	8.5%	8.4%	8.4%	not projected
Actual Value Exempted	$8,865,984,923	$0	$0	$0	not projected
Assessed Value Exempted	$811,237,620	$0	$0	$0	not projected

/a The appropriation is based on estimates included in the Legislative Council staff March 2006 revenue forecast (which is the same amount that is reflected in the September 2006 revenue forecast).
/b Although the statutory limit on the value that may be exempted was lowered from $200,000 to $0 for the last three fiscal years, county assessors have continued to receive and approve applications annually.

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 Department annually transfers the required amount from the General Fund to the Fire and Police

[2] 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.

Pension Association (FPPA), which administers these plans. For FY 2005-06 and FY 2006-07, 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 six percent limit on General Fund appropriations.

Senate Bill 03-263 suspended the state's annual $25.3 million FPPA contribution for FY 2003-04 and FY 2004-05 and extended state payments by two years to FY 2011-12. This bill also 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. Appendix B details the distribution of state funding among old hire plans since 1980.

The following table provides a summary of remaining state contributions to "old hire" pension plans using two different assumptions about the payment schedule. The first column details contributions required under current law, and the second identifies an alternative payment schedule should the FY 2006-07 appropriation level be sustained for three more fiscal years. The latter approach would allow the General Assembly to avoid the "balloon payment" otherwise scheduled for April 2012.

Fire and Police Pension Association - State-Assisted "Old Hire" Pension Plans		
Payment Date	**Annual State Contribution Required Under Current Law**	**Alternative Contribution Schedule**
April 2008	$25,321,079	$34,776,325
April 2009	25,321,079	34,776,325
April 2010	25,321,079	34,776,325
April 2011	25,321,079	25,321,079
April 2012 (estimate)	61,124,322	25,321,079

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 funds exempt 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 2006-07 and FY 2007-08.

Highway Users Tax Fund (HUTF) /a					
Actual Revenues and Distributions				**Projections**	
	FY 03-04	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Total Revenues	$751,986,557	$763,860,847	$787,427,989	$787,273,900	$798,610,500
Annual Percent Change	*2.1%*	*1.6%*	*3.1%*	*0.0%*	*1.4%*
Treasury Distributions:					
Counties	$153,822,038	$155,980,977	$159,784,050	$158,382,100	$159,496,100
Municipalities	101,666,670	102,184,633	104,524,983	103,455,900	104,306,000

/a Actual data provided by State Treasurer's Office. Figures exclude transfers that occur pursuant to Section 24-75-218, C.R.S. ("one-third/two-thirds" transfers). Projected data provided by Legislative Council staff based on their September 2006 revenue forecast.

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. Although CoverColorado premiums are currently set at 150 percent of the industry average[3], premium revenues cover only 65 percent of program costs. Thus, the program requires a subsidy from one or more other sources of revenue. These other sources of revenue currently include: contributions from insurance companies provided in exchange for a 100 percent premium tax credit (a maximum of $5.0 million total per year); interest and principal from the Unclaimed Property Trust Fund; and insurance carrier assessments.

The following table provides a summary of CoverColorado costs, premiums, and other sources of revenue. CoverColorado expenses began to exceed annual revenues in FY 2001-02. Absent the insurance carrier assessments that occurred in August 2003 and May 2004, program costs in FY 2003-04 would have exceeded program revenues by $4.5 million.

[3] Please note that the CoverColorado Board recently voted to revise premium rates. Effective January 1, 2007, premiums will be set at 140 percent of the industry average.

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)**
98-99	$5,300,177	$3,043,656	*57.4%*	($2,256,521)	$3,685,669	$1,429,148
99-00	6,600,410	3,388,467	*51.3%*	(3,211,943)	6,191,425	2,979,482
00-01	10,163,795	5,149,955	*50.7%*	(5,013,840)	6,054,890	1,041,050
01-02	17,715,896	9,380,110	*52.9%*	(8,335,786)	8,144,133	(191,653)
02-03	28,163,622	17,064,208	*60.6%*	(11,099,414)	3,527,552	(7,571,862)
03-04	34,505,598	21,361,177	*61.9%*	(13,144,421)	40,843,100	27,698,679
04-05	34,294,676	21,312,572	*62.1%*	(12,982,104)	6,268,704	(6,713,400)
05-06	36,732,677	23,878,912	*65.0%*	(12,853,765)	8,757,987	(4,095,778)
Projections:						
06-07 <b>	45,753,505	23,331,029	*51.0%*	(22,422,476)	17,276,719	(5,145,757)
07-08 <b>	57,953,247	24,758,997	*42.7%*	(33,194,250)	25,005,850	(8,188,400)
08-09 <b>	71,950,207	29,780,158	*41.4%*	(42,170,049)	39,040,225	(3,129,824)

<a> Other sources of funding include: interest earned on the CoverColorado Cash Fund, moneys made available from the Unclaimed Property Program, insurance carrier assessments, federal funds, and (beginning in 2005) annual contributions from insurance carriers in exchange for a premium tax credit.
<b> Projections prepared by Leif Associates, dated October 17, 2006. Reflects "most likely" actuarial scenario.

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

Summary of Major Legislation

- ❑ **S.B. 06-180 (Green/Isgar): CoverColorado Premium Rates.** Establishes a minimum and maximum *average* premium rate for coverage under CoverColorado. Specifies that the statutory premium rate range does not apply to individuals approved by the Board of Directors of CoverColorado for participation in a premium subsidy program established by the Board.

- ❑ **S.C.R. 06-1 (Gallegos/Evans): Expansion of Homestead Exemption.** Refers a measure to the voters at the November 2006 general election to allow for the senior homestead exemption to be extended to veterans who are 100 percent permanently disabled due to a service-connected disability. Specifies that the cost associated with the backfill of revenue to local governments for lost property taxes is a voter-approved revenue change, thereby allowing the State to retain the revenue necessary to backfill local governments out of surplus revenue.

- ❑ **S.B. 04-211 (Hillman/Spradley): Unclaimed Property and CoverColorado.** Makes changes to unclaimed property publication requirements. Specifies that the Unclaimed Property Trust Fund principal, plus any interest earnings, be transferred to CoverColorado to the degree that moneys are available in the Fund and are needed for CoverColorado.

- ❑ **S.B. 04-256 (Taylor/White): Sale of Unclaimed Property Securities and Tourism Promotion.** Directs the Department to sell securities that have been held as unclaimed property for at least a year and deposit the proceeds in the Unclaimed Property Tourism Promotion Trust Fund. Limits the use of Trust Fund principal to payment of unclaimed property claims. Requires associated interest earnings to be credited to the Colorado Travel and Tourism Promotion Cash Fund for the promotion of tourism and the Colorado State Fair.

- ❑ **S.B. 03-184 (Teck/Witwer): Treasury Transaction Fee.** Authorizes the State Treasurer to deduct from interest earnings a per-transaction fee for cash management transactions performed on behalf of state departments and agencies. Exempts all constitutionally-restricted funds.

- ❑ **S.B. 03-263 (Owen/Witwer): State Assistance To FPPA Old Hire Plans.** Eliminates the annual $25.3 million General Fund contribution to the Fire and Police Pension Association for "old hire" pension plans for both FY 2003-04 and FY 2004-05. Requires that payments be made in two additional fiscal years (FY 2010-11 and FY 2011-12) and any accrued unfunded liability attributable to these reductions be replaced prior to April 30, 2012. Changes the date of annual payments from September 30 to April 30.

- ❑ **S.B. 03-265 (Teck/Young): Suspend Senior Property Tax Exemption.** Eliminates the General Fund required for the Senior Citizen Property Tax Exemption for three years (FY 2003-04 through FY 2005-06) by lowering the home value subject to the exemption to zero.

- ❑ **H.B. 03-1274 (Mitchell/Arnold): Loans to School Districts.** Permits the Treasurer to issue tax anticipation notes to finance interest-free loans to school districts. Requires school districts to submit financial statements demonstrating the ability to repay loans.

- ❑ **H.B. 02-1349 (King/Alexander): Charter School Facilities Financing Act.** Increases charter school access to capital funding. Creates an "intercept program" through which the Treasury can make direct payments of principal and interest due on bonds on behalf of a charter school.

- ❑ **H.B. 02-1392 (Young/Reeves): Unclaimed Property Refinance.** Requires the Unclaimed Property Program and associated administrative expenses to be funded from the Unclaimed Property Trust Fund, rather than the General Fund, beginning in FY 2001-02.

- ❑ **S.B. 00-181 (George/Wham): K-12 Capital Construction.** Authorizes the Treasurer to loan moneys in the Public School Fund to school districts for capital construction projects.

- ❑ **S.B. 95-228 (Rizzuto/Grampsas): Funding of State Assistance to FPPA.** Requires the transfer of an additional amount in September 1995 to the FPPA, up to $25.5 million General Fund, to pay the state contribution that was not made as scheduled in 1987, plus associated interest. Prospectively provides for a level of funding for FPPA "old hire" plans ($25.3 million per year) sufficient to ensure the state's financial obligation is terminated by 2010.

Major Funding Changes FY 2005-06 to FY 2006-07

Action *(Source)*	General Fund	Other Funds *(Source)*	Total Funds	Total FTE
Senior citizen property tax exemption *(Statutory)*	$64,600,000	$0	$64,600,000	0.0
Transfer to FPPA "old hire" plans *(JBC action)*	9,453,062	0	9,453,062	0.0
Salary and benefit adjustments *(Department request/ JBC action)*	41,728	33,910 *(Various)*	75,638	0.0
Unclaimed property program promotion *(Department request / JBC action)*	0	53,796 *(Unclaimed Property Trust Fund)*	53,796	0.0
One-time funding for Controller retirement *(Department request)*	25,049	0	25,049	0.0
Unclaimed property leased space *(Department Request)*	0	(21,151) *(UPTF)*	(21,151)	0.0
Eliminate one-time funding for unclaimed property program *(Department request)*	0	(23,745) *(UPTF)*	(23,745)	0.0
Eliminate investment accounting appropriation *(Department request)*	(23,850)	0	(23,850)	0.0
Estimated transfer to CoverColorado *(Statutory)*	0	(4,200,000) *(Unclaimed Property Trust Fund)*	(4,200,000)	0.0
Highway Users Tax distributions *(Based on projected revenues)*	0	(10,179,332) *(HUTF)*	(10,179,332)	0.0
Other	1,852	11,853	13,705	0.0
Total	**74,097,841**	**(14,324,669)**	**59,773,172**	**0.0**

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF TREASURY
OVERVIEW OF NUMBERS PAGES

The following table highlights changes contained in the Department's FY 2007-08 budget request, as compared with the FY 2006-07 appropriation.

Requested Changes, FY 2006-07 to FY 2007-08

Description	GF	CF	CFE	Total	FTE
Administration:					
Salary Survey and Performance-based Pay Awards	$19,920	$6,958	$0	$26,878	0.0
Personal Services	20,026	5,920	0	25,946	0.0
Amortization Equalization Disbursement	5,848	2,745	0	8,593	0.0
Health, Life, and Dental	4,308	3,854	0	8,162	0.0
Eliminate one-time funding associated with Controller retirement	(25,049)	0	0	(25,049)	0.0
Other	10,606	(5,174)	0	5,432	0.0
Unclaimed Property Program:					
Personal Services	0	15,695	0	15,695	0.0
Eliminate one-time leased space funding	0	(10,000)	0	(10,000)	0.0
Special Purpose:					
HUTF - County Payments	0	0	8,128,162	8,128,162	0.0
Transfer to CoverColorado	0	0	5,023,278	5,023,278	0.0
HUTF - Municipality Payments	0	0	3,587,868	3,587,868	0.0
Senior Citizen Property Tax Exemption	700,000	0	0	700,000	0.0
Net Change	**$735,659**	**$19,998**	**$16,739,308**	**$17,494,965**	**0.0**

Total Funding. Excluding changes related to the Senior Citizen Property Tax Exemption, Highways Users Tax Fund distributions, and transfers to CoverColorado, the Treasury Department is requesting an increase of $55,657 in total funding (1.7 percent).

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests

DEPARTMENT OF THE TREASURY
State Treasurer: Mike Coffman

NOTE: For purposes of providing comparable figures, line items are reflected in the order they appear in the FY 2005-06 and FY 2006-07 Long Bills.

(1) ADMINISTRATION

Primary Functions: Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department.

Cash Fund Sources: Unclaimed Property Trust Fund and Treasury transactions fee revenue

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Personal Services	1,097,899	1,126,911	1,179,947	1,180,844	
FTE	16.0	15.6	16.0	16.0	
General Fund	440,224	409,164	462,200	457,177	
FTE	16.0	15.6	16.0	16.0	
Cash Funds (Treasury transactions fee) a/	657,675	717,747	717,747	723,667	
Health, Life, and Dental	59,827	75,445	114,120	122,282	
General Fund	43,075	52,243	77,904	82,212	
Cash Funds (Unclaimed Property Trust Fund)	16,752	23,202	36,216	40,070	
Short-term Disability	2,155	2,115	1,732	2,129	
General Fund	2,155	1,480	1,182	1,436	
Cash Funds (Unclaimed Property Trust Fund)	0	635	550	693	
S.B. 04-257 Amortization Equalization Disbursement	0	3,083	11,060	19,653	
General Fund	0	2,158	7,407	13,255	
Cash Funds (Unclaimed Property Trust Fund)	0	925	3,653	6,398	

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Department of Treasury

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Salary Survey and Senior Executive Service	30,709	45,304	41,641	55,068	
General Fund	22,712	36,265	24,737	36,065	
Cash Funds (Unclaimed Property Trust Fund)	7,997	9,039	16,904	19,003	
Performance-based Pay Awards	15,591	0	0	13,451	
General Fund	8,843	0	0	8,592	
Cash Funds (Unclaimed Property Trust Fund)	6,748	0	0	4,859	
Operating Expenses - GF	126,134	121,593	107,765	107,765	
Information Technology Asset Maintenance	5,792	12,568	12,568	12,568	
General Fund	5,792	7,765	967	6,284	
Cash Funds (Unclaimed Property Trust Fund)	0	4,803	11,601	6,284	
Legal Services	70,133	35,342	38,968	38,968	
General Fund	40,808	16,962	19,484	19,484	
Cash Funds (Unclaimed Property Trust Fund)	29,325	18,380	19,484	19,484	
Hours	*1,189.5*	*575.5*	*575.0*	*575.0*	
Purchase of Services from Computer Center - GF	1,216	852	829	3,084	
Workers' Compensation and Payment to Risk Management and Property Funds - GF	838	1,288	1,567	1,984	
Capitol Complex Leased Space - GF	47,133	46,263	47,806	50,169	
Charter School Facilities Financing Services b/	3,325	790	5,000	5,000	
Cash Funds	3,325	790	5,000	5,000	
Cash Funds Exempt	0	0	0	0	
Discretionary Fund - GF	4,915	3,460	5,000	5,000	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
					Request v. Appropriation
Subtotal - Administration	1,465,667	1,475,014	1,568,003	1,617,965	3.2%
FTE	16.0	15.6	16.0	16.0	0.0
General Fund	743,845	699,493	756,848	792,507	4.7%
FTE	16.0	15.6	16.0	16.0	0.0
Cash Funds	721,822	775,521	811,155	825,458	1.8%

a/ For purposes of this document, revenues received from the Treasury Transactions fee (established in Section 24-36-120, C.R.S.), are applied against the Personal Services line item for all fiscal years.
b/ This line is continuously appropriated from the Charter School Financing Administrative Cash Fund pursuant to Section 22-30.5-406 (1) (a), C.R.S.

(2) UNCLAIMED PROPERTY PROGRAM
Primary Functions: Locate and return unclaimed properties to their legal owners (or heirs)
Fund Source: Unclaimed Property Trust Fund

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Personal Services - CF	608,699	635,557	649,947	665,642	
FTE	9.0	8.3	10.0	10.0	
Operating Expenses - CF	196,603	236,657	116,417	116,417	
Promotion and Correspondence - CF	Included above		150,296	150,296	
Leased Space - CF	74,693	77,942	56,791	46,791	
Contract Auditor Services - CF	697,429	800,000	800,000	800,000	
					Request v. Appropriation
Subtotal: Unclaimed Property Program - CF	1,577,424	1,750,156	1,773,451	1,779,146	0.3%
FTE	9.0	8.3	10.0	10.0	0.0

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation		FY 2007-08 Request		Change Requests
(3) SPECIAL PURPOSE							
Primary Functions: The expenditures in this section are included in the Long Bill for informational purposes only; they reflect continuous appropriations required by state statute. These items: reimburse local governments for property taxes foregone due to the Senior Citizen Property Tax Exemption; transfer money from the Unclaimed Property Trust Fund to CoverColorado; transfer General Fund to the FPPA for "old hire" fire and police pension plans; and allocate a portion of HUTF revenues to local governments. The General Fund appropriations are exempt from the six percent statutory limit on General Fund appropriations. The appropriation for the Senior Citizen Property Tax Exemption, the transfer to CoverColorado, and the appropriation for FPPA old hire plans are not subject to the TABOR limitations.							
Senior Citizen Property Tax Exemption - GF	0	0	64,600,000		65,300,000	a/	
CoverColorado - CFE (Unclaimed Property Trust Fund)	n/a	7,232,579	12,300,000	b/	17,323,278		
Fire and Police Pension Association (FPPA) - Old Hire Plans - GFE	0	25,321,079	34,774,141		34,774,141		
Highway Users Tax Fund - County Payments - CFE	155,980,977	159,784,050	152,762,000	c/	160,890,162		
Highway Users Tax Fund - Municipality Payments - CFE	102,184,633	104,524,983	100,174,100	d/	103,761,968		
							Request v. Appropriation
Subtotal - Special Purpose	258,165,610	296,862,691	364,610,241		382,049,549		4.8%
General Fund	0	0	64,600,000		65,300,000		1.1%
General Fund Exempt	n/a	25,321,079	34,774,141		34,774,141		0.0%
Cash Funds Exempt	258,165,610	271,541,612	265,236,100		281,975,408		6.3%

a/ The request mirrors the amount reflected in the Legislative Council Staff's September 2006 revenue forecast. However, pursuant to the passage of Referendum E, the total state funding estimated to be required for this purpose for FY 2007-08 will be $1,040,000 higher.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests

b/ The Department estimates that FY 2006-07 transfers to CoverColorado will total $9,315,777.
c/ County distributions for FY 2006-07 are now estimated to total $158,382,100 (based on Legislative Council staff's September 2006 revenue forecast).
d/ Municipal distributions for FY 2006-07 are now estimated to total $103,455,900 (based on Legislative Council staff's September 2006 revenue forecast).

					Request v. Appropriation
TOTAL - Department of Treasury	261,208,701	300,087,861	367,951,695	385,446,660	4.8%
FTE	25.0	23.9	26.0	26.0	0.0
General Fund	743,845	699,493	65,356,848	66,092,507	1.1%
FTE	16.0	15.6	16.0	16.0	0.0
General Fund Exempt	n/a	25,321,079	34,774,141	34,774,141	0.0%
Cash Funds	2,299,246	2,525,677	2,584,606	2,604,604	0.8%
FTE	9.0	8.3	10.0	10.0	0.0
Cash Funds Exempt	258,165,610	271,541,612	265,236,100	281,975,408	6.3%

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF TREASURY
FY 2006-07 LONG BILL FOOTNOTE UPDATE

2 **All Departments, Totals** -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

Comment:

Copies of Reports. The Department indicates that it will forward copies of the reports requested through footnotes 119 (investments), 120 (bank services contracts), and 121 (issuance of tax and revenue anticipation notes for school districts) to the six members of leadership, as requested.

Rules Publication. The only rules promulgated by the Treasury Department relate to the Unclaimed Property Program. The original rules, which were adopted in 1987, are not currently in an electronic format. However, the Secretary of State has a hard copy and a scanned version of these rules.

The Department is in the process of revising these rules. The public hearing is scheduled for early December 2006, followed by reviews by both the Attorney General's Office and the Office of Legislative Legal Services. Both the Secretary of State and the Department of Regulatory Agencies have received electronic copies of the proposed rules. Once the new rules are adopted, the Department will submit the electronic copies to the Secretary of State and to the Office of Legislative Legal Services (if necessary), as requested.

3 **All Departments, Totals** – Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2006-07. 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.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers in that it is attached to federal funds and private donations, which are not subject to legislative appropriation; and (2) placing information requirements on such funds could constitute substantive legislation in the Long Bill. In his letter to the General Assembly concerning the Long Bill, the Governor also indicated that this footnote is an unfunded mandate and that it would require a significant devotion of resources.*

The Department of Treasury does not have federal grants or private donations in its budget.

119 **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 Department submitted the annual investment performance report with its FY 2007-08 budget request, as it has in past years. The document includes data for a number of funds and portfolios, including: the Treasury Pool[4], the State Education Fund, the Major Medical Insurance Fund, the Public School Fund (often called the "permanent fund"), and the Unclaimed Property Tourism 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 report is one of a series of quarterly reports that are available through the Department's web site.

For FY 2005-06, with the exception of the Treasury Pool, the book yield for each fund/portfolio matched or outperformed the relevant benchmarks identified by the Department. With regard to the Treasury Pool, the book yield of 4.0 percent for FY 2005-06 was less than the 4.4 percent performance benchmark (which is based on the 12-month moving average of the constant maturity yield on the one-year Treasury note at the end of the period) A copy of the information provided by the Department is included in Appendix C.

120 **Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, 2006, 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 2005-06 as well as projected expenditures for FY 2006-07. The requested report should be submitted as part of the State Treasurer's annual budget request.

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

Comment: The State Treasurer manages the State's banking service agreements and bank accounts. Bank service costs include processing warrants and electronic payments, safekeeping and accounting for investments, and depositing all state revenues. Bank fees are deducted from interest earned on bank account balances, and are thus not reflected in appropriations to the Department.

Department staff have previously indicated that bank service costs totaled $2.4 million in FY 2003-04 and $1.6 million in FY 2004-05. The information provided in response to this footnote identifies costs totaling $1,566,055 for FY 2005-06, as well as estimated costs of $1,608,627 for FY 2006-07. A copy of the information provided by the Department for fiscal years 2005-06 through 2006-07 is included in Appendix D.

121 **Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, 2006, 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 fiscal years 2003-04 through 2005-06, as well as projected data for FY 2006-07. The requested information should be submitted as part of the State Treasurer's annual budget request.

Comment:

Background Information. Since 1993, Section 22-54-110, C.R.S., has directed the Treasury Department 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 district. 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[5] 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 loan is in question. In addition, by issuing tax and revenue anticipation notes and obtaining very clear information about participating districts' 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. This occurred in both FY 2004-05 and FY 2005-06, when the loan program actually resulted in net benefits to the General Fund of $694,118 and $1,840,770, respectively.

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[5] 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.

Current Participation. In FY 2005-06, the Treasury issued a total of $415 million in tax and revenue anticipation notes on behalf of 17 school districts. 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 fiscal years 2003-04 through 2006-07 is included in Appendix E.

122 **Department of the Treasury, Unclaimed Property Program, Promotion and Correspondence** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, 2006, data concerning the cost and the effectiveness of various activities designed to promote awareness of the Unclaimed Property Program. The State Treasurer is further requested to describe the measurements used to evaluate the effectiveness of such activities.

Comment:

Background Information. Pursuant to Article 13 of Title 38, C.R.S. (the "Unclaimed Property Act"), the State takes possession of dormant or abandoned properties from a wide range of businesses and public institutions. Generally, property is subject to the custody of the State as unclaimed property if the last-known address of the property owner (or the person entitled to the property) is in Colorado. While the program originally targeted properties held by banks, savings and loans, and credit unions, it has been expanded to include properties held by insurance companies, public institutions, government agencies, public corporations or authorities, non-profit entities, hospitals, utilities, estates, trusts, or any other legal or commercial entity. Recovered items include uncashed checks and money orders, unclaimed stocks and securities, abandoned safety deposit box contents, dormant bank accounts, unclaimed utility deposits, unclaimed insurance benefits, unclaimed gift certificates, uncashed tax refunds, and intangible properties held by the courts, government agencies, and businesses.

The Treasury Department administers the Unclaimed Property Program, and is charged with returning unclaimed properties to their rightful owners. While the Department has some discretion to determine the most effective ways to identify the rightful owners, it is statutorily required to:

- maintain both a written and an electronic alphabetical list of the owners of unclaimed property;
- make the list available to the public on the world wide web, and provide each county treasurer and public library in the state a written copy of the list of unclaimed property owners in that county; and
- mail a notice to each person whose last known address is listed in annual reports submitted by those entities and institutions that are required to turn over unclaimed

property to the State, as long as the person appears to be entitled to property worth more than $50 or is a beneficiary of a life insurance policy or annuity contract.

Since the program's inception, 26.8 percent of the property that the State has recovered has been returned to the rightful owners.

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

Increase in Funding for Promotional Efforts. Pursuant to Section 38-13-111 (7), C.R.S., the Department may spend up to 2.0 percent of the previous year's paid claims for publication and necessary correspondence (e.g., sending a notice to the last known address of each person who appears to be entitled to property valued at $50 or more). Last year the Department requested an increase of $103,895 cash funds from the Unclaimed Property Trust Fund to allow it to spend the full amount statutorily allowed to promote the program ($200,395 for FY 2006-07). The Department indicated that it intended to use the additional funds to improve and expand its promotional efforts (e.g., publication of names of property owners in major daily newspapers, onsite promotional opportunities at public events, and radio advertising).

Staff recommended approving the request but appropriating the requested amount through a separate line item. Staff noted the tension inherent in the Department's responsibility to make a good faith effort to locate and reunite owners (and heirs) with their dormant/abandoned property, and the General Assembly's interest in providing funding from the Unclaimed Property Trust Fund for the CoverColorado program. The Committee voted to provide one-half of the requested increase (a total appropriation of $150,296). Further, the Committee voted to include this footnote in the Long Bill asking the Department to analyze the effectiveness of their promotional efforts to date.

Department Response. The Department indicates that it has historically relied on the annual publication of names in a Sunday edition of The Denver Post as its primary promotional vehicle for the program. The Department indicates that it plans to use the additional funds appropriated to employ "additional marketing tools to expand the breadth of Coloradans exposed to the program", including the following methods:

- A direct mail campaign that uses publicly available data sources to identify the complete last known addresses of unclaimed property owners and to proactively notify them of the lost or forgotten asset;

- A radio campaign in conjunction with annual publication; and

- An onsite promotion effort at selected NCAA Division I football and basketball games within the state.

The Department notes that the program currently holds more than $300 million in lost or forgotten assets belonging to more than 650,000 owners. The Department also notes that during FY 2005-06, it returned a record $14,172,544 to 16,028 claimants.

With regard to measuring the effectiveness of various marketing activities, the Department indicated that it "will employ a tracking program that compares the cost of the advertising method to the number of claims initiated". The Department will use this information to calculate the number of claims initiated per dollar of marketing spending. The Department indicates that it chose this metric because "it is the most effective measure of the number of people both contacting the program and finding property belonging to him or her".

Staff Analyses. The Department's footnote response did not provide any data concerning the actual costs of the various promotional activities performed to date (e.g., FY 2005-06), nor did it provide details about the costs of the activities planned for the current fiscal year. However, the Department indicated that it plans to track the cost of each advertising method to the number of claims initiated, in order to calculate the number of claims initiated per dollar of marketing spending.

Based on the other information provided in the Department's budget request, staff notes that there are a number of other performance measures that the Department currently tracks that provide information relevant to the Department's overall performance in returning unclaimed properties. These types of measures include the following:

- number of entities ("holders") reporting unclaimed property
- the number and value of unclaimed properties received by the Department
- the percent of holders who submit data electronically
- the value of unclaimed property paid by holders directly to owners
- the number of inquiries received
- the number of claims submitted
- the number of claims submitted that are approved and paid
- the percent of approved claims paid within 30 days and 60 days

With respect to measuring the effectiveness of promotional efforts, staff agrees that the ratio of claims initiated per dollar of marketing spending is a relevant metric. However, staff believes it will also be important to monitor whether the claims submitted actually result in more property being returned to more claimants. Thus, staff suggests that the Department consider two other measurements:

- the value of claims paid annually as a percent of annual receipts; and
- the number of claims paid annually as a percent of the number of properties received.

Staff believes that these additional measurements will help the Department evaluate the overall effectiveness of promotional efforts.

123 **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, 2006, and by February 1, 2007, that contain enrollment, revenue, expenditure, and assessment projections for the CoverColorado program for FY 2006-07 and FY 2007-08.

Comment: CoverColorado provided the information requested. Most recently, staff received data prepared by Leif Associates dated October 17, 2006, containing projections for FY 2006-07 through FY 2011-12.

Further, please note that Section 10-8-530, C.R.S., includes three statutory reporting requirements related to CoverColorado:

- Subsection (1.3): "The [Board of Directors of CoverColorado] shall report to the state treasurer annually, based on the projected operating revenues of the program, combined with the projected cash balance of all program accounts, if the program's moneys will not be adequate over the next twenty-four-month period to provide for the projected claims, administrative expenses, reserves for claims incurred but not reported, and surplus equal to ten percent of projected annual claims. The report shall be substantiated by the actuarial evaluations required by paragraph (c) of subsection (1.5) of this section."

- Subsection (1.5) (e): "In the event the assessment [against insurers] ... equals fifty percent of the administrative and claims expenses totaled that are projected for the program, the [Board of Directors of CoverColorado] shall conduct a review of the premium levels, benefit design, costs of administration, cost containment measures available, and any other factors that might contribute to the continued financial solvency of the program. Such review shall be presented to the members of the joint budget committee within ninety days after an assessment that equals fifty percent of the expenses of the program is made."

- Subsection (4) (c) (I): "The executive director of [CoverColorado] shall report annually to the joint budget committee concerning the receipts and expenditures of the moneys in the accounts of the program."

With regard to the third statutory reporting requirement, above, CoverColorado prepares financial statements for each calendar year of operation. Staff has received year-end financial statements for CY 2005. Staff has included more detailed information about CoverColorado in the issue brief that begins on page 37.

124 **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, 2006. 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 Chairman of the Fire and Police Pension Association (FPPA) Board of Directors sent a letter dated August 30, 2006, to the Chairman of the Joint Budget Committee. This letter provides much of the information requested through the above footnote, including the accrued unfunded liability for each state-assisted plan. Staff has provided more information about the history of these plans and potential funding scenarios in Appendix B and in the issue brief that begins on page 32.

Actuarial Assumptions. Pursuant to Section 31-30.5-306, C.R.S., each employer receiving state assistance is required to file an actuarial study of its old hire plans by April 30 of each year through 2012. The FPPA Board of Directors is required to specify the actuarial assumptions to be used in each actuarial study, and the FPPA is required to designate actuaries to supervise, conduct, or review these annual actuarial studies. The FPPA submitted an August 2006 report concerning the actuarial valuation of the statewide death and disability plan and the statewide defined benefit plan administered by the FPPA. This report reflects that actuarial valuation of each plan as of January 1, 2006. Actuarial assumptions include mortality rates, disability rates, retirement rates, and demographic and other details for actual participants. Consistent with last year, the Board assumes an investment return of 8.0 percent, compounded annually, composed of an assumed 3.5 percent inflation rate and a 4.5 percent net real rate of return (net of all investment and administrative expenses)

The FPPA also sent a copy of an August 25, 2006, letter from Gabriel Roeder Smith Company (an actuarial firm) to the Chief Executive Officer of FPPA concerning the estimated cost of a lump sum payment to pay off the state's liability for old hire plans. However, this letter is based on such a payment being made in 2006 (a payment equal to the unfunded liabilities as of 1/1/06 or $321.2 million).

In addition, the FPPA submitted a copy of its comprehensive annual financial report for the fiscal year ended 12/31/05. The report is published by June 30 each year and is also available through the FPPA website at the following address:

www.fppaco.org/toc_frames.html

Finally, please note that the FPPA prepares a less comprehensive report annually for the legislative Police Officer's and Firefighter's Pension Reform Commission. The most recent report was presented to the 15-member Commission on September 12, 2006.

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF TREASURY
Performance Measures

ISSUE:

Department of Treasury Performance Measures

DISCUSSION:

Department Mission

Mission Statement:

> "The Colorado State Treasury is the constitutional custodian of the public's funds. It is the Treasury's duty to manage and account for the citizen's taxes [sic] dollars from the time they are received until the time they are disbursed. The Treasury's staff is committed to safeguarding and managing the people's monies with the same diligence and care as they do their own."
>
> "The mission of the Unclaimed Property Section is to reunite all Colorado owners (or heirs) with their unclaimed or abandoned property."

Goals and Performance Measures

The Department's strategic plan is 15 pages long, and it is comprised of two sections:

- The plan includes12 pages of narrative that provide a brief description of the Department's various responsibilities and the programs it administers. This narrative also references recent statutory changes, describes some recent accomplishments as well as tasks that are planned for the upcoming fiscal year, and identifies some input and output measures.

- The plan also includes three pages of "Key Accomplishments and Critical Performance Measures". These three pages include 15 goal statements and 48 associated "measures".

The following are <u>examples</u> of key goals and performance measures included in the Department's FY 2007-08 budget request.

> **Administrative Goal #2: To conservatively and safely invest the portfolios to preserve principal and consistently provide income**
>
> 1.2.1. Earned $243 million in interest income for all funds managed.
> 1.2.2. No investments in default or nonpaying status.

1.2.3. Developed and implemented a process for cost effective ongoing liquidation of securities held for Unclaimed Property Program.
1.2.4. Consider appropriate funds for separate management. Draft and circulate potential investment strategies for them as appropriate.

Administrative Goal #3: To disburse funds on deposit at Treasury more efficiently

1.3.1. Expanded Internet based electronic disbursement program to additional state agencies.
1.3.2. Electronically produced approximately 16,000 Unclaimed Property vouchers.
1.3.3. Continued working with local governments to accept electronic payments in lieu of warrants. Electronically produced approximately 4,000 HUTF payments.
1.3.4. With relocation of the Unclaimed Property Division to its new location identify procedural steps to accelerate warrant processing.
1.3.5. Maintained a timely process related to the applications for the elderly property tax deferral program and the associated disbursements to the county treasurers.
1.3.6. Maintained a timely process related to intercepting bond payment funds from charter schools participating in the Charter Intercept Program and forwarding same to their chosen bank.

Unclaimed Property Goal #1: To educate citizens and businesses about unclaimed property and the related responsibilities for compliance

1.1.1. Held 6 seminars and other outreach programs in Colorado Springs, Greeley, Boulder and the Denver metro area.
1.1.2. New companies reporting increased by 10%.
1.1.3. Expanded efforts to identify and contact potential unclaimed property holders to inform them of requirements to report and the processes for doing so.

Staff Analysis

Joint Budget Committee staff reviewed departments' performance measures submitted as part of the FY 2007-08 budget request. Staff assessed these performance measures using a common checklist of seven questions, which are listed below.

As a whole, the Treasury Department's goals are appropriate and cover the Department's major areas of responsibility. However, the current structure of the Department's budget request integrates information about recent accomplishments with performance measure data, making it difficult to clearly identify the measurable outcomes the Department is striving to achieve. In addition, the Department's existing performance measures primarily relate to program inputs or outcomes, and few speak to the Department's efficiency or the ultimate impact of its performance. Finally, for the data to be useful for policymakers, the Department will need to provide several years of data for each performance measure (revealing trends) and identify targets for each measure.

1. Do the goals and performance measures correspond to the program's directives provided in statute?

Yes. The Department's goals and performance measures are consistent with the Treasurer's primary responsibilities, which include: (1) ensuring the "safekeeping and management of public funds" by promptly depositing and disbursing such moneys as required by law [see Article X, Section 12, Colorado Constitution; and Section 24-36-102 and 104, C.R.S.]; (2) using "prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity" when investing moneys that are not immediately required to be disbursed [Section 24-36-113, C.R.S.]; and (3) ensuring the "efficient management of all state cash" and maintaining sufficient funds to pay all outstanding warrants [Section 24-22-107, C.R.S.].

The Treasurer also has other statutory responsibilities associated with specific sources of funds or the administration of specific programs. However, these provisions generally assign tasks to the Treasurer without providing specific guidance concerning program outcomes or performance goals. The Treasurer's performance measures related to these responsibilities are generally limited to completing the assigned tasks.

2. Are the performance measures meaningful to stakeholders, policymakers, and managers?

While some of the performance measures identified by the Department are relevant and useful, staff believes the Department needs to address three issues in order to make them meaningful to stakeholders and policymakers in assessing the Department's performance:

- Identify performance measures that provide information to assess the efficiency, quality, and outcomes associated with the Department's activities. Some examples of potentially meaningful measures are provided in response to question #3, below.

- Identify performance measure data for more than one year to allow one to evaluate the Department's performance over time.

- Identify performance measure targets to allow one to evaluate whether the Department is achieving measurable goals.

3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, and outcome)?

The Department's budget request includes a section that combines "key administrative accomplishments" and "critical performance measures". As a consequence, many of the "measures" listed in this section are actually descriptions of tasks that have been accomplished (e.g., developed and implemented a process for cost effective ongoing liquidation of securities held for Unclaimed Property Program). Of the remaining measures reported, some provide inputs (number of unclaimed property inquiries), many provide outputs (e.g., number of HUTF payments electronically produced), and a few provide outcomes (e.g., interest income for all funds managed). Staff notes that some performance measure data is referenced in the narrative section of the strategic plan but is not included as part of the "critical performance measures", making it more difficult to identify and evaluate all of the Department's performance measures.

Staff believes that there are several input measures that the Department could include in its strategic plan that would provide meaningful data about the Department's workload and the demand for certain programs and services, such as:

- the number of transactions performed;
- the number of school districts requesting cash flow loans;
- the number of items of unclaimed property received and the total number held;
- the number of charter schools participating in the intercept program; or
- the number of applications received for elderly and military personnel property tax deferral program.

Similarly, staff believes there are several output measures that the Department could include in the strategic plan (e.g., the dollar value of unclaimed property claims paid; revenues earned through the sale of unclaimed securities; the outstanding value of bonds issued by charter schools under the "moral obligation" program; etc.).

Finally, staff recommends that the Department focus on developing measures that speak to its efficiency and performance in carrying out its duties, or to the ultimate impact of a program. Potentially meaningful measures might include the following:

- the ratio of bank services costs to dollars on deposit
- the ratio of departmental administrative costs to dollars on deposit (or to the number of transactions performed)
- the percent of unclaimed properties received that have been returned
- the percentage of unclaimed property claims paid within 30 days, 60 days, etc.
- the quantitative effect of the "moral obligation" program on charter schools' financing terms

4. Do the performance measures cover all key areas of the budget?

Most of the performance measures relate to the Department's administrative functions (i.e., cash management and investments) and its administration of the Unclaimed Property Program. Staff believes that this is appropriate given that these are the activities that require the most amount of staff time. Please note, however, that there are two programs which account for over 99 percent of the General Fund appropriations to the Department: the Senior Citizen Property Tax Exemption; and payments to the FPPA for old hire pension plans. The Department did not include any performance measures for these two programs. While staff has not identified any meaningful measures related to the Department's performance in administering these programs, it may be useful for the Department to report input and output measures related to these programs.

5. Are the data collected for the performance measures valid, accurate, and reliable?

Staff does not have any reason to doubt the reliability of the data reported.

6. Are the performance measures linked to the proposed budget base?

The Department's strategic plan does not explicitly link the proposed budget base to performance measures, and it does not indicate how an increase or decrease in funding would likely impact performance.

7. Is there a change or consequence if the Department's performance targets are not met?

In general, the Department's strategic plan does not include information about performance targets. However, staff notes that the Department's response to a Long Bill footnote concerning investment performance provides clear comparisons of actual performance and certain performance benchmarks. In addition, the strategic plan includes descriptions of the Department's current approach to investing various funds, as well as information about circumstances that limit the Department's ability to improve investment performance.

Questions for Department

Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?

2. To what extent do the performance outcomes reflect appropriation levels?

3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?

4. As a department director, how do you judge your department's performance? What key measures and targets do you used?

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF TREASURY
Options for Paying State Contributions to "Old Hire" Pension Plans

ISSUE:

There are a number of potential early payment options should the General Assembly elect to pay state contributions to "old hire" fire and police pension plans earlier than required under current law.

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 $468 million General Fund to 110 local "old hire" pension plans since 1980.

- ❑ Current law requires continued state contributions of $25.3 million General Fund each fiscal year through FY 2011-12, plus an extra payment to make up for state contributions that were deferred in recent years due to budgetary constraints. If the General Assembly elects to appropriate $25.3 million annually from FY 2007-08 through FY 2010-11, the total payment required in FY 2011-12 is estimated at $61.1 million.

- ❑ To avoid the "balloon payment" of $61.1 million in FY 2011-12, and to reduce the total amount of General Fund required for this purpose in the next five fiscal years, the General Assembly could consider a number of early payment options.

RECOMMENDATION:

Staff recommends that the Committee maintain the General Fund appropriation for old hire plans at $34.8 million for each of the next three fiscal years, followed by appropriations of $25.3 million for both FY 2010-11 and FY 2011-12. Alternatively, the Committee could consider appropriating $31.4 million for FY 2007-08 through FY 2011-12. Either of these options would allow the General Assembly to avoid making the "balloon payment" otherwise scheduled for April 2012.

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 plan. Although the General Assembly had provided some state funding for local pension plans and state statute provided some structure for local plans, the plans' administration and funding 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[6], 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 provisions of [this bill] are enacted in the exercise of the police powers of this 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 old hire plans 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[7].

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 obligations relating to pensions in excess of their present financial capacities. It is the intent of the general assembly in providing state moneys to assist said local

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[6] To put this figure in perspective, the total state General Fund operating budget in the FY 1978-79 Long Bill was $1,034,958,278. 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 expressed in terms of the FY 2006-07 state General Fund operating budget, it would exceed $3.2 *billion*.

[7] The September 12, 2006, 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 119.5 percent -- a surplus of $111.4 million.

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

Since 1980, the State has contributed a total of $468 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 B.] 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 and FY 2006-07, 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 six percent limit on General Fund appropriations. The Treasury Department annually transfers the required amount from the General Fund to the FPPA, which distributes the moneys to eligible old hire pension plans[8].

Twice since 1980, the General Assembly has temporarily suspended the state contribution to old hire plans. The first year that the annual state contribution was eliminated was in 1987. In 1995, the state contribution was increased to cover the 1987 payment plus accrued interest. In addition, the General Assembly (through S.B. 95-228) increased the annual state contribution from $18.7 million to $25.3 million. The legislation provided that state support would end when the local old hire pension plans became fully funded or in FY 2009-10, which ever 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 the state contribution for old hire pension plans (through S.B. 03-263) for FY 2003-04 and FY 2004-05 and extended state payments by two years to FY 2011-12. The legislation required the State to pay the amount of unfunded liability that accrued as a result of the suspension of the state contribution. This additional payment may be made at any time prior to April 30, 2012. Finally, S.B. 03-263 changed the date of the annual payment from September to April, which is more consistent with the State's General Fund cash flow. The annual required $25.3 million state contribution resumed in April 2006.

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

As of December 31, 2005, over 90 percent of the 3,795 "old hire" members were retired. Of the 54 affiliated local plans, there are currently eight eligible for state assistance, including the following departments:

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

The FPPA is projecting that six of the above departments will become fully funded by 2012 (the last year that a state contribution would be paid under current law). The North Washington Fire and the Pueblo Fire departments are not projected to be fully funded by 2012, so these local departments will likely be responsible for continuing to fund these plans until they are fully funded.

Future State Contributions for "Old Hire" Pension Plans

Under current law, the State is required to contribute $25.3 million per year through FY 2011-12, plus an additional make-up payment related to recent suspended contributions. Last Spring, the Joint Budget Committee voted to increase the appropriation for FY 2006-07 by $9.5 million (to $34,774,141). The Committee's plan was based on a scenario which avoids the balloon payment otherwise required in April 2012; the amount is based on increasing the appropriation for four years, consistent with the Referendum C "time-out" period, and then appropriating $25.3 million in each of the final two years.

Staff has provided a table on the following page to detail the remaining state contributions to old hire pension plans using different assumptions about the payment schedule. Each of the options detailed in the table is described below:

A: *Current Law 2008+*. Appropriate the minimum amount required statutorily ($25.3 million), for the next four fiscal years. This option is estimated to require a balloon payment of $61.1 million in April 2012.

B: *JBC Plan.* Consistent with the Committee's action last Spring, continue to appropriate a higher amount for the next three fiscal years ($34.8 million), and appropriate $25.3 million in each of the final two fiscal years.

C: *Six Equal Payments.* Appropriate the same amount ($31.4 million) for each of the next six fiscal years.

D: *Three Equal Payments.* Appropriate the same amount ($48.7 million) for each of the next three fiscal years (consistent with the Referendum C "time-out" period), paying off the State's obligations in April 2010.

E: *April 08 Payoff.* Pay off the State's obligations in April 2008 ($135.5 million).

Summary of Payment Options for Old Hire State Assistance

All Payments Assumed to be Made on April 30

Year of April Payment	OPTIONS FOR 2008 - 2012				
	A: Current Law 2008+	B: JBC Plan	C: Six Equal Payments	D: Three Equal Payments	E: April 08 Payoff
2007 (approp.)	$34,774,141	$34,774,141	$34,774,141	$34,774,141	$34,774,141
2008	25,321,079	34,777,172	31,424,520	48,686,175	135,506,516
2009	25,321,079	34,777,172	31,424,520	48,686,175	0
2010	25,321,079	34,777,172	31,424,520	48,686,175	0
2011	25,321,079	25,321,079	31,424,520	0	0
2012	61,127,531	25,321,079	31,424,520	0	0
Total	162,411,847	154,973,674	157,122,600	146,058,525	135,506,516

Comparison of each option to "Current" option:

2008	9,456,093	6,103,441	23,365,096	110,185,437
2009	9,456,093	6,103,441	23,365,096	(25,321,079)
2010	9,456,093	6,103,441	23,365,096	(25,321,079)
2011	0	6,103,441	(25,321,079)	(25,321,079)
2012	(35,806,452)	(29,703,011)	(61,127,531)	(61,127,531)
Total	(7,438,173)	(5,289,247)	(16,353,322)	(26,905,331)

NOTES:
Above figures provided by the FPPA. All options assume no change to FY 2006-07 appropriation.

"Current law" option assumes balance of make-up payment for recent deferred state contributions is made in April 2012

Option B is based on Joint Budget Committee action last Spring, which provides for an enhanced payment level from FY 2006-07 through FY 2009-10 (coinciding with the Referendum C five-year "timeout" period), with the statutorily required payments of $25.3

Options C - D show equal payments over different time periods

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF TREASURY
Funding for the CoverColorado Program

ISSUE:

While the existing funding structure for CoverColorado will provide sufficient revenue to support anticipated program expansion over the next several fiscal years, the program will require a significant insurance carrier assessment by FY 2011-12.

SUMMARY:

❑ CoverColorado premiums currently cover 65 percent of program costs. The amount required to subsidize the premiums increased annually through FY 2003-04, when it leveled off at $13 million.

❑ Based on recent changes to premiums approved by the CoverColorado Board, enrollment in the program is anticipated to increase sharply in the next few years. This enrollment increase, combined with reductions in premiums in relation to the standard risk rate, are projected to increase the annual subsidy required by $10 to $13 million per year for the next five years.

❑ Under current law, program expansion will be financed by depleting the principal in the Unclaimed Property Trust Fund over the next five fiscal years. A carrier assessment is projected to be triggered in FY 2011-12 in order to cover an annual deficit of more than $30 million.

RECOMMENDATION:

Staff recommends that the Committee consider the longer-term implications of the existing funding structure for CoverColorado. If the General Assembly supports the CoverColorado Board's current efforts to expand program enrollment, it should consider changing the carrier assessment trigger mechanism so that assessments are implemented gradually and predictably.

DISCUSSION:

Background Information

Colorado does not require insurance companies to offer individual health coverage 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. CoverColorado enrollees pay relatively high rates[9], but the rates are not sufficient to cover the costs of the claims associated with the high risk pool. In FY 2005-06, CoverColorado premiums covered 65.0 percent of program costs (claims plus administrative costs); nationally, premiums from insured members of high risk pools accounted for 60.3 percent of total operating costs[10].

Originally created by the General Assembly in 1990[11], CoverColorado is a nonprofit unincorporated public entity that is governed by a seven-member board of directors[12]. For purposes of TABOR, CoverColorado is defined as a "special purpose authority" [see 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 purposes of TABOR's spending limitations.

Participants

Certain individuals are categorically not eligible for CoverColorado, including inmates and residents of public institutions, and individuals who are eligible for Medicaid. Those who are eligible for CoverColorado fall into one of two eligibility categories. First, of the Colorado 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 carrier for any reason other than nonpayment of premiums; or

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[9] Statutorily, the average premium rates for CoverColorado must be between 100 and 150 percent of the standard risk rate (the average rate for health benefit plans charged by the five largest carriers in Colorado that offer similar policies) [See Section 10-8-512, C.R.S.].

[10] Data from *Comprehensive Health Insurance for High-risk Individuals: A State-by-State Analysis*, twentieth edition (2006-07), published by Communicating for Agriculture and the Self-Employed in cooperation with the National Association of State Comprehensive Health Insurance Plans.

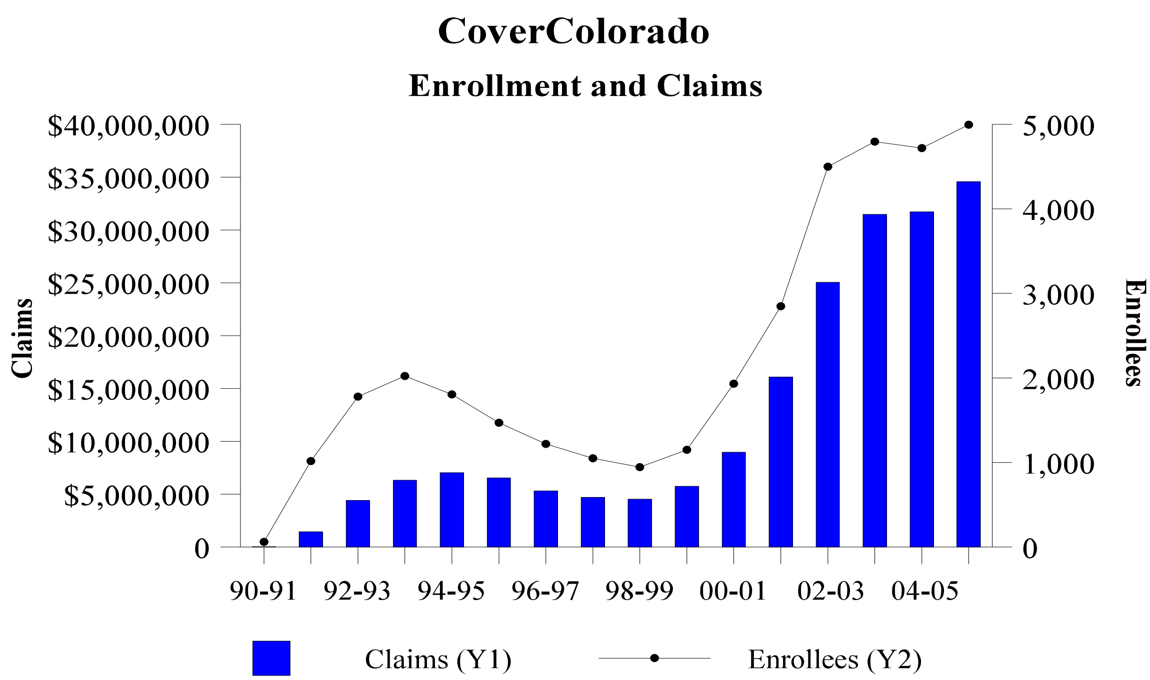
[11] House Bill 90-1305 (Taylor-Little/Traylor) created the Colorado Uninsurable Health Insurance Plan or "CUHIP". The act establishing the program is now called the "Colorado High Risk Health Insurance Act", and the program created by the act is now called "CoverColorado".

[12] These seven members, who are all appointed by the Governor, include four insurance carrier representatives, two individuals who are insured or have been insured under CoverColorado, and one medical professional who specializes in chronic disease.

- 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 Portability 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 in the Trade Adjustment Assistance Program, as well as individuals ages 55 to 64 who receive pension benefits from the federal Pension Benefit Guarantee Corporation.

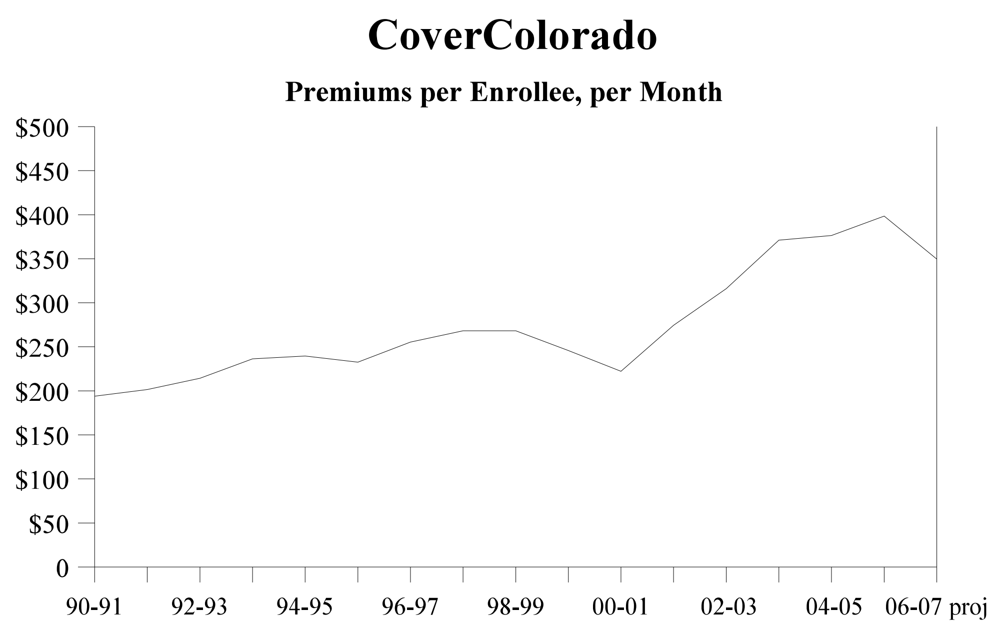
As illustrated in the following chart, the number of CoverColorado enrollees has varied since the inception of the program, along with the associated cost of claims. According to program staff, the primary drivers of enrollment are the general economy (which affects the number of individuals losing group coverage through their employer) and the program premiums.



Program Premiums

CoverColorado is required to set premium rates based on the average rate for health benefit plans charged by the five largest carriers in the state who offer health benefit plans comparable to CoverColorado policies (this is called the "standard risk rate"). The Board has the discretion to set rates as long as the *average* premium rates are at least 100 percent, but no more than 150 percent, of the standard risk rate.

The Board has established a goal of achieving a 50/50 split in funding for CoverColorado, so that premiums and interest earned on the CoverColorado Cash Fund provide 50 percent of program funding, and "public" funding sources (i.e., transfers from the Unclaimed Property Trust Fund, contributions from carriers in exchange for a premium tax credit, and federal funds) provide 50 percent. Consistent with this goal, the Board recently approved reductions in certain premium rates, effective January 1, 2007, so that on average premiums will equal 140 percent of the standard risk rate. Further, the Board has established a premium subsidy program that allows individuals with an annual household income of $50,000 or less to pay reduced rates[13]. The following chart illustrates changes in premium rates by depicting total premiums earned, divided by the average number of enrollees, divided by 12.



CoverColorado staff indicate that the premium subsidy program has made the program more affordable for many individuals, and is thus resulting in increased enrollment. Similarly, they anticipate that the recent Board actions to reduce rates in relation to the standard risk rate will increase enrollment in 2007. Specifically, CoverColorado is projecting enrollment increases ranging from 10 to 13 percent in each of the next four fiscal years.

Other Program Funding Sources

Although enrollee premiums have always provided the primary source of funding for CoverColorado, a number of other funding sources have been used to subsidize the program since its inception. Originally, the program was subsidized through an *income tax surcharge*. In 1993, the income tax surcharge was repealed and the program gained access to moneys transferred from

[13] Effective January 1, 2007, individuals with an annual household income below $40,000 will receive a 34 percent discount, and those with an annual household income of $40,000 to $50,000 will receive a 20 percent discount.

the state's *unclaimed property trust funds*. By FY 2000-01, existing funding sources proved inadequate and the annual cash flow for the program became negative. Shortly thereafter, the General Assembly transferred $44.3 million from the Unclaimed Property Trust Fund to the General Fund in order to balance the state budget, sharply diminishing unclaimed property revenues available to CoverColorado. [A summary of unclaimed property revenues, disbursements, and transfers is included in Appendix F.]

In 2001 (through H.B. 01-1319), the General Assembly authorized an *assessment on health insurance companies* based on the number of individuals covered under their policies [see Section 10-8-530 (1.5), C.R.S.]. This subsidy method is currently used by 25 of the 33 states with high risk pools[14]. For CoverColorado, these fees are only to be assessed when it is determined that amounts available from all other sources will not be adequate cover the next 24-month period to provide for the projected claims, administrative expenses, reserves for claims, and a surplus equal to 10 percent of projected claims. Further, CoverColorado is required to provide carriers with notice of an assessment 12-months in advance. The amount of the assessment is based on dividing the total projected funding need by the total number of covered lives. Insurance carriers are allowed to pass this cost on to policy holders. There have been two assessments to date: $9.8 million in August 2003, and $29.8 million in May 2004.

Subsequent to the passage of the federal Trade Adjustment Assistance Reform Act of 2002, the federal government authorized *federal grants* to partially offset the cost of covering "federally eligible" individuals through qualified risk pools. Colorado received the following grants to date:

FY 2003-04:	$2,026,974
FY 2004-05:	3,470,961
FY 2005-06:	472,812

CoverColorado anticipates receiving grants of $1,575,000 in both FY 2006-07 and FY 2007-08. It is not clear that these grants will continue in subsequent fiscal years. In addition, in FY 2003-04, Governor Owens allocated $5.0 million of the *federal "flexible" funds* that were made available to the state pursuant to the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 to the CoverColorado program.

Finally, in 2004 (through H.B. 04-1206), the General Assembly authorized an *insurance premium tax credit for contributions* to CoverColorado [see Section 10-8-534, C.R.S.]. Specifically, an insurance company may claim a 100 percent credit against insurance premium taxes for a contribution to CoverColorado. This tax credit is authorized from 2005 through 2014. Procedurally, insurance companies declare their intent to contribute to CoverColorado on their October quarterly premium tax payments. The Insurance Commissioner is required to allocate up to a maximum of

[14] Data from *Comprehensive Health Insurance for High-risk Individuals: A State-by-State Analysis*, eighteenth edition (2004-2005), published by Communicating for Agriculture and the Self-Employed in cooperation with the National Association of State Comprehensive Health Insurance Plans, page 35.

$5.0 million of premium tax credits annually among those companies that have expressed an intent to contribute to CoverColorado. CoverColorado indicates that for the 2006 tax year, the full $5.0 million has been pledged, consisting of contributions from four different companies. The majority of this funding is received on October 31, and the balance becomes available the following March. Statutorily, these contributions may only be expended when an assessment against health insurance companies would otherwise be necessary.

Future Funding Needs

The following table provides a comparison of CoverColorado premiums and costs for the last eight years as well as those projected through FY 2008-09. In addition, the table details the other revenue sources available to the program each year, along with the annual surplus/deficit that results. CoverColorado expenses began to exceed annual revenues in FY 2001-02. Absent the insurance carrier assessments that occurred in August 2003 and May 2004, program costs in FY 2003-04 would have exceeded program revenues by $4.5 million.

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)
98-99	$5,300,177	$3,043,656	*57.4%*	($2,256,521)	$3,685,669	$1,429,148
99-00	6,600,410	3,388,467	*51.3%*	(3,211,943)	6,191,425	2,979,482
00-01	10,163,795	5,149,955	*50.7%*	(5,013,840)	6,054,890	1,041,050
01-02	17,715,896	9,380,110	*52.9%*	(8,335,786)	8,144,133	(191,653)
02-03	28,163,622	17,064,208	*60.6%*	(11,099,414)	3,527,552	(7,571,862)
03-04	34,505,598	21,361,177	*61.9%*	(13,144,421)	40,843,100	27,698,679
04-05	34,294,676	21,312,572	*62.1%*	(12,982,104)	6,268,704	(6,713,400)
05-06	36,732,677	23,878,912	*65.0%*	(12,853,765)	8,757,987	(4,095,778)
Projections:						
06-07 <b>	45,753,505	23,331,029	*51.0%*	(22,422,476)	17,276,719	(5,145,757)
07-08 <b>	57,953,247	24,758,997	*42.7%*	(33,194,250)	25,005,850	(8,188,400)
08-09 <b>	71,950,207	29,780,158	*41.4%*	(42,170,049)	39,040,225	(3,129,824)

<a> Other sources of funding include: interest earned on the CoverColorado Cash Fund, moneys made available from the Unclaimed Property Program, insurance carrier assessments, federal funds, and (beginning in 2005) annual contributions from insurance carriers in exchange for a premium tax credit.
<b> Projections prepared by Leif Associates, dated October 17, 2006. Reflects "most likely" actuarial scenario.

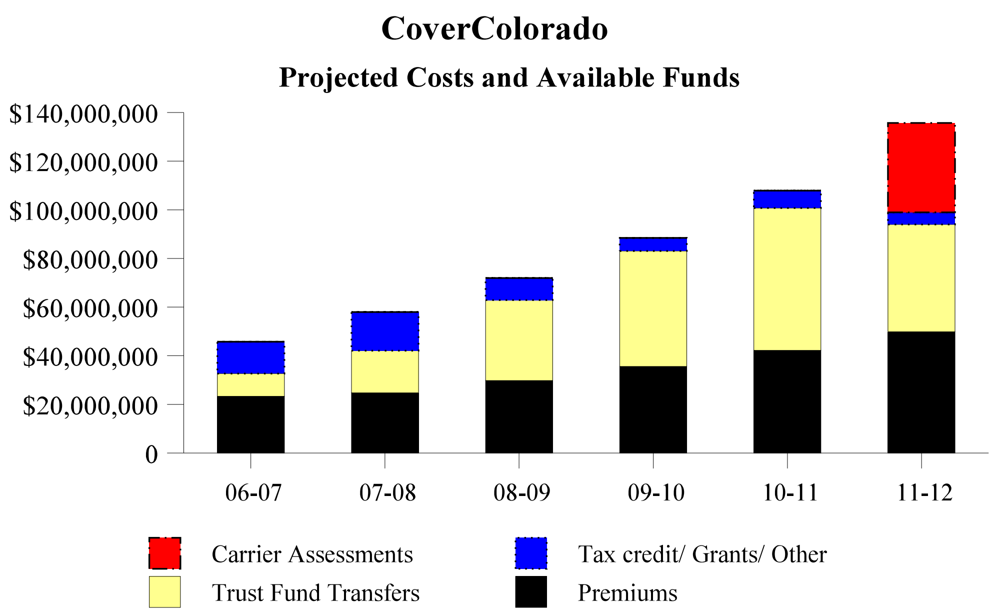
With regard to revenues made available to CoverColorado from the Unclaimed Property Program, the General Assembly changed the mechanism used to provide funding to CoverColorado in 2004. Pursuant to S.B. 04-211, the Treasury Department is now required to transmit both interest <u>and principal</u> from the Unclaimed Property Trust Fund to CoverColorado in order to cover expenses of the program that are not met by funding sources *other than* carrier assessments (i.e., premiums paid by those insured, contributions from insurance carriers pursuant to the premium tax credit, CoverColorado cash fund balance and interest earnings, and other federal funds made available to the program). If necessary, Section 38-13-116.5 (2.7), C.R.S., requires the transfer of the entire balance in the Unclaimed Property Trust Fund, less:

- unclaimed property claims paid for each fiscal year;
- the reserve amount necessary to pay anticipated unclaimed property claims; and
- Unclaimed Property Program operating expenses.

The FY 2006-07 Long Bill includes a $12.3 million cash funds exempt appropriation from the Unclaimed Property Trust Fund to CoverColorado. This amount is included for informational purposes to identify the amount anticipated to be transferred to CoverColorado in FY 2006-07 as required by S.B. 04-211. Based on a 24-month projection of funding needs, Treasury transferred $1,744,193 per quarter to CoverColorado from April 2005 through January 2006. From April 2006 through January 2007, Treasury will transfer $2,000,000 per quarter, and CoverColorado is currently projecting that these quarterly transfers will need to increase to $3,315,777 in April 2007. Thus, the Treasury is currently estimating the following annual transfers from the Trust Fund to CoverColorado:

FY 2006-07:	$ 9,315,777
FY 2007-08:	17,323,278

Based on moneys anticipated to be available in the Trust Fund in future fiscal years, CoverColorado is currently projecting that no carrier assessment will be necessary until April 2012. The following chart illustrates the projected costs of the CoverColorado Program, as well as available fund sources.



As illustrated in the above chart, based on current law and projected growth in the CoverColorado program, the program will rely heavily on increased transfers of principal from the Trust Fund to finance expansion of the program over the next five fiscal years. However, by FY 2011-12, the Trust Fund will have been depleted to the point that a carrier assessment would be necessary to continue to subsidize the program. Please note that while the above chart reflects $31.8 million in carrier assessments that would be necessary to cover expenses in FY 2011-12, the projected assessment in that year totals $67.9 million. Such an assessment would be more than two times the magnitude of the largest assessment to date.

Staff Recommendations

Staff recommends that the Committee consider the longer-term implications of the existing funding structure for CoverColorado. If the General Assembly supports the Board's current efforts to expand program enrollment, it may want to consider ensuring that the program has stable, sustainable revenue sources. Under current law, program expansion will be financed by depleting the principal in the Unclaimed Property Trust Fund over the next four fiscal years. By FY 2011-12, a substantial carrier assessment will be triggered. The General Assembly may wish to change the trigger mechanism so that the carrier assessment is implemented gradually and predictably over a couple of years, providing a much more sustainable source of revenue.

Senior Homestead Exemption: 2002 Property Tax Year

County	Number of Residential Properties <a>	Exemptions Granted	Percent of Residences Granted Exemption	Actual Value Exempted	Assessed Value Exempted	Average County Levy	Estimated Taxes Exempted <b>	Average Tax Exempted
Adams	106,102	8,714	8.21%	$585,595,053	$53,581,947	89.702	$4,806,408	$552
Alamosa	5,008	423	8.45%	16,510,123	1,510,676	78.611	118,756	281
Arapahoe	158,347	12,824	8.10%	1,111,663,808	101,717,238	83.999	8,544,146	666
Archuleta	6,960	198	2.84%	11,878,959	1,086,925	62.903	68,371	345
Baca	2,517	306	12.16%	5,277,586	482,899	62.043	29,961	98
Bent	2,217	304	13.71%	6,018,716	550,713	71.189	39,205	129
Boulder	85,207	6,629	7.78%	612,253,847	56,021,227	65.545	3,671,911	554
Broomfield	13,502	832	6.16%	73,873,125	6,759,391	88.703	599,578	721
Chaffee	10,457	876	8.38%	58,996,147	5,398,147	48.684	262,803	300
Cheyenne	1,046	128	12.24%	2,530,819	231,570	46.872	10,854	85
Clear Creek	4,830	248	5.13%	19,827,430	1,814,210	80.429	145,915	588
Conejos	4,133	381	9.22%	7,991,457	731,218	73.508	53,750	141
Costilla	2,236	214	9.57%	4,102,113	375,343	64.070	24,048	112
Crowley	1,536	166	10.81%	3,611,546	330,456	72.838	24,070	145
Custer	2,958	131	4.43%	6,888,374	630,286	58.049	36,587	279
Delta	12,868	1,430	11.11%	64,885,714	5,937,043	59.772	354,869	248
Denver	164,285	14,740	8.97%	1,262,349,450	115,504,975	60.377	6,973,844	473
Dolores	1,218	139	11.41%	2,906,312	265,928	64.551	17,166	123
Douglas	72,980	1,492	2.04%	136,702,984	12,508,323	95.510	1,194,670	801
Eagle	23,586	282	1.20%	25,100,450	2,296,691	56.433	129,609	460
El Paso	168,891	14,634	8.66%	1,020,414,077	93,367,888	63.681	5,945,760	406
Elbert	7,767	291	3.75%	20,093,154	1,838,524	89.048	163,717	563
Fremont	17,299	1,357	7.84%	63,495,300	5,809,820	55.097	320,104	236
Garfield	15,855	759	4.79%	60,768,386	5,560,307	57.232	318,228	419
Gilpin	2,883	91	3.16%	6,304,732	576,883	36.071	20,809	229

Senior Homestead Exemption: 2002 Property Tax Year

County	Number of Residential Properties <a>	Exemptions Granted	Percent of Residences Granted Exemption	Actual Value Exempted	Assessed Value Exempted	Average County Levy	Estimated Taxes Exempted <b>	Average Tax Exempted
Grand	12,174	272	2.23%	20,497,240	1,875,497	55.647	104,366	384
Gunnison	8,775	328	3.74%	25,133,100	2,299,679	52.504	120,742	368
Hinsdale	1,159	23	1.98%	1,677,520	153,493	41.088	6,307	274
Huerfano	4,501	390	8.66%	12,790,252	1,170,308	62.238	72,838	187
Jackson	1,219	56	4.59%	1,845,300	168,845	55.800	9,422	168
Jefferson	170,409	17,767	10.43%	1,593,933,532	145,844,918	85.254	12,433,863	700
Kiowa	813	156	19.19%	2,029,660	185,714	84.015	15,603	100
Kit Carson	3,419	489	14.30%	16,607,032	1,519,543	87.699	133,262	273
La Plata	18,517	1,081	5.84%	80,157,140	7,334,378	29.228	214,369	198
Lake	3,533	277	7.84%	12,969,965	1,186,752	75.527	89,632	324
Larimer	98,808	6,882	6.97%	550,292,873	50,351,798	84.997	4,279,752	622
Las Animas	9,634	912	9.47%	29,181,134	2,670,074	44.160	117,910	129
Lincoln	2,070	299	14.44%	9,618,705	880,112	88.589	77,968	261
Logan	7,166	1,025	14.30%	44,933,885	4,111,450	79.392	326,416	318
Mesa	44,967	4,531	10.08%	235,682,625	21,564,960	70.180	1,513,429	334
Mineral	1,412	42	2.97%	1,850,952	169,362	59.430	10,065	240
Moffat	5,096	364	7.14%	14,146,855	1,294,437	65.540	84,837	233
Montezuma	9,358	937	10.01%	38,850,435	3,554,815	61.266	217,789	232
Montrose	14,631	1,140	7.79%	55,087,230	5,040,482	62.541	315,237	277
Morgan	9,033	1,045	11.57%	46,883,966	4,289,883	80.232	344,186	329
Otero	7,807	946	12.12%	29,727,031	2,720,023	62.117	168,960	179
Ouray	2,148	150	6.98%	11,795,670	1,079,304	47.989	51,795	345
Park	10,365	261	2.52%	19,497,445	1,784,016	54.427	97,099	372
Phillips	2,009	291	14.48%	11,145,103	1,019,777	98.183	100,125	344
Pitkin	10,610	297	2.80%	28,920,300	2,646,207	33.770	89,362	301

Senior Homestead Exemption: 2002 Property Tax Year

County	Number of Residential Properties <a>	Exemptions Granted	Percent of Residences Granted Exemption	Actual Value Exempted	Assessed Value Exempted	Average County Levy	Estimated Taxes Exempted <b>	Average Tax Exempted
Prowers	5,121	671	13.10%	20,349,700	1,861,998	78.203	145,614	217
Pueblo	50,541	7,463	14.77%	343,854,716	31,462,707	87.545	2,754,403	369
Rio Blanco	2,542	206	8.10%	8,111,140	742,169	37.796	28,051	136
Rio Grande	5,468	471	8.61%	17,962,364	1,643,556	65.305	107,332	228
Routt	12,062	286	2.37%	21,687,330	1,984,391	52.422	104,026	364
Saguache	2,551	139	5.45%	2,869,140	262,526	78.117	20,508	148
San Juan	655	26	3.97%	1,556,903	142,457	48.159	6,861	264
San Miguel	4,836	82	1.70%	4,996,093	457,143	48.154	22,013	268
Sedgwick	1,223	190	15.54%	4,662,942	426,659	78.825	33,631	177
Summit	25,344	191	0.75%	18,405,414	1,684,095	55.068	92,740	486
Teller	10,433	455	4.36%	29,007,286	2,654,167	60.208	159,802	351
Washington	2,471	277	11.21%	6,970,695	637,819	71.508	45,609	165
Weld	60,431	4,833	8.00%	285,473,216	26,120,799	83.400	2,178,475	451
Yuma	4,088	486	11.89%	14,783,372	1,352,679	71.615	96,872	199
Totals:	**1,542,087**	**123,326**	**8.00%**	**$8,865,984,923**	**$811,237,620**		**$60,666,409**	$492
Maximum		17,767	19.2%	$1,593,933,532	$145,844,918	98.183	$12,433,863	$801
Minimum		23	0.8%	1,556,903	142,457	29.228	6,307	85
Average		1,927	8.0%	138,531,014	12,675,588	65.985	947,913	317

SOURCE: Division of Property Taxation, Department of Local Affairs

<a> The residence counts provided include single family, condominiums, manufactured homes, farm/ranch residences, and farm/ranch manufactured homes.

<b> Please note that the amounts shown for each county represent an estimate of the taxes exempted based on the average county mill levy. The actual amount exempted will vary slightly based on the actual mills assessed on each qualifying residence. The actual cost of the exemption statewide was $61,491,764.

HISTORY OF STATE CONTRIBUTIONS FOR LOCAL FIRE AND POLICE "OLD HIRE" PENSION PLANS

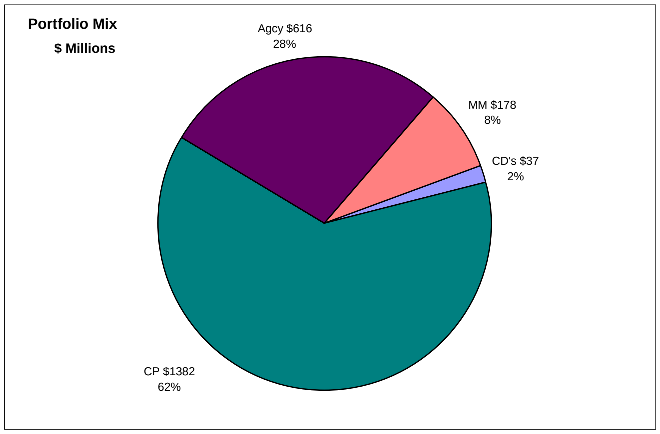
				Allocation of State Funding								
Calendar Year	**State Funding Distributed**	**Number of Local Departments Receiving Assistance**	**Unfunded Liabilities for State-Assisted Plans (as of 1/1)**	**Denver Fire**	**Denver Police**	**Grand Junction Police**	**Greeley Fire (Union Colony)**	**Pueblo Fire**	**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
TOTALS	$ 468,291,377			$164,548,234	$ 216,857,609	$4,774,819	$8,458,027	$ 17,445,177	$ 10,263,950	$102,426	$ 2,176,934	$ 43,664,201
	Percent of Total Funding to Date			*35.1%*	*46.3%*	*1.0%*	*1.8%*	*3.7%*	*2.2%*	*0.0%*	*0.5%*	*9.3%*

<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.

Colorado Treasury Cash

(0 - 1 year maturities)

September 30, 2006



Portfolio Value

Market Value	$2,212.8	Million
Book Value	$2,212.8	Million

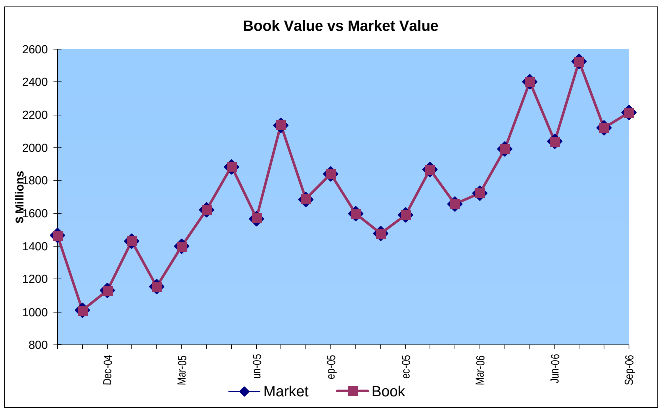
Yield and Average Maturity

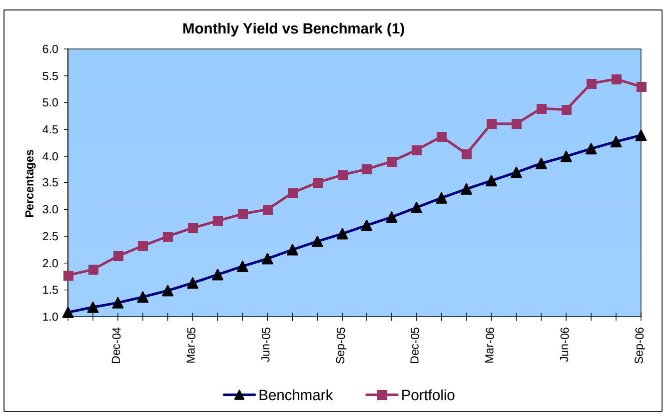
Portfolio Book Yield	5.4%	
Portfolio Average Maturity	66	Days

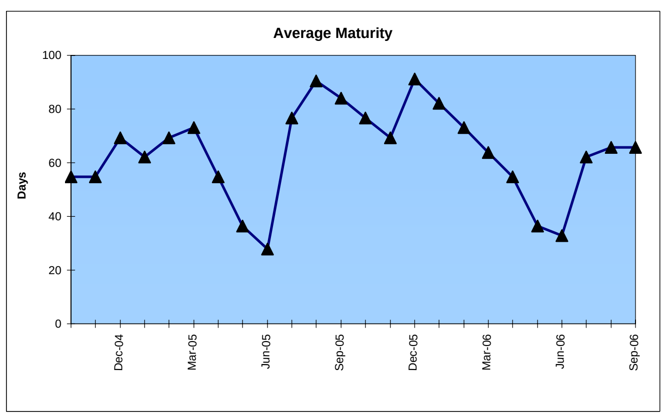
Portfolio Quality

	AAA	AA	A	Other	Portfolio Percent
Commercial Paper	17.6%	16.5%	36.2%	29.7% *	62.5%
Federal Agencies	100.0%				27.8%
Certificates of Deposit				100.0%	1.7%
Money Market Funds				100.0%	8.0%
Total Portfolio	38.8%	10.3%	22.5%	28.3%	100.0%

* The senior debt of the issurers are Ba1 & B1, but the asset backed commercial paper programs are rated A1+ , P1.







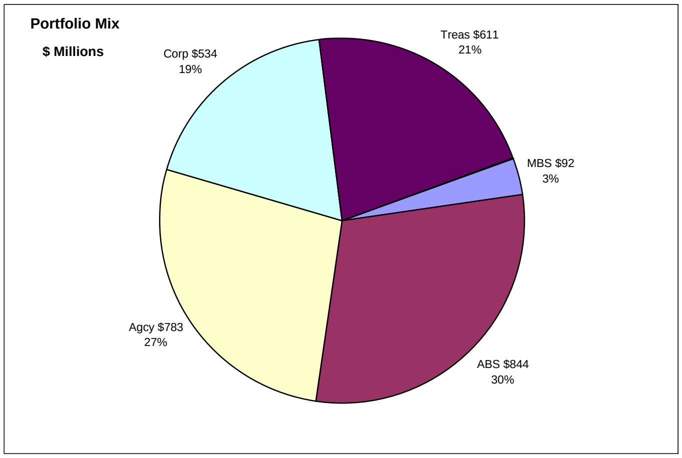
	$ Millions Average Portfolio	Interest Income	Book Yield	Performance Benchmarks (2)
FY '07 YTD	2,310.6	31.0	5.4%	4.4%
Last 12 months	2,001.4	93.7	4.7%	4.4%
FY '06	1,911.2	79.9	4.2%	4.0%
FY '05	1,595.8	34.9	2.2%	2.1%
FY '04	1,326.8	14.1	1.1%	0.9%
FY '03	820.6	14.2	1.7%	1.3%
FY '02	637.6	17.1	2.7%	2.5%
Avg FY '02-'06	1,258.4	32.0	2.4%	2.2%

(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, 2006



Portfolio Value

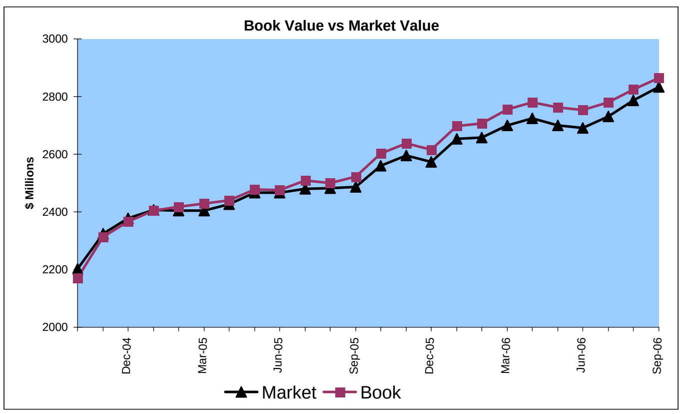
Market Value	$2,832.7	Million
Book Value	$2,863.7	Million

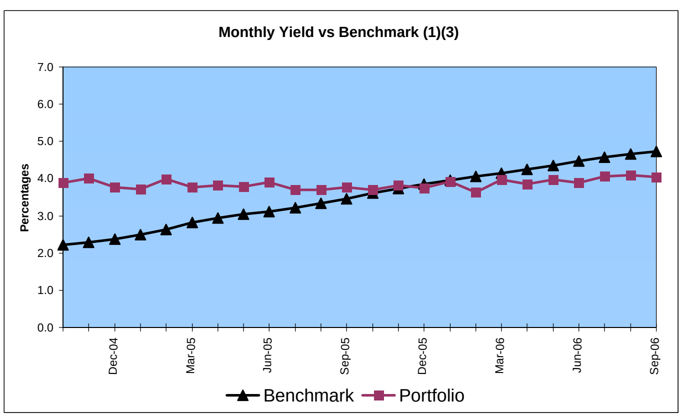
Yield and Average Maturity

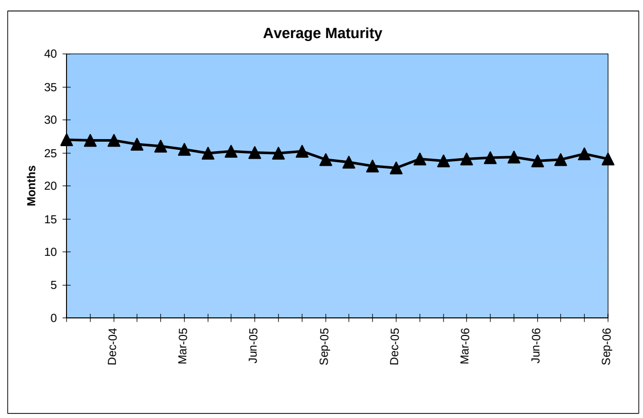
Portfolio Book Yield	4.1%	
Portfolio Average Maturity	24.1	Months

Portfolio Quality

	AAA	AA	A	BBB	Portfolio Percent
Asset Backed	100.0%				29.5%
Corporates	8.9%	44.0%	46.5%	0.6%	18.7%
Mortgage Securities	100.0%				3.2%
Treasuries	100.0%				21.3%
Federal Agencies	100.0%				27.3%
Total Portfolio	83.0%	8.2%	8.7%	0.1%	100.0%





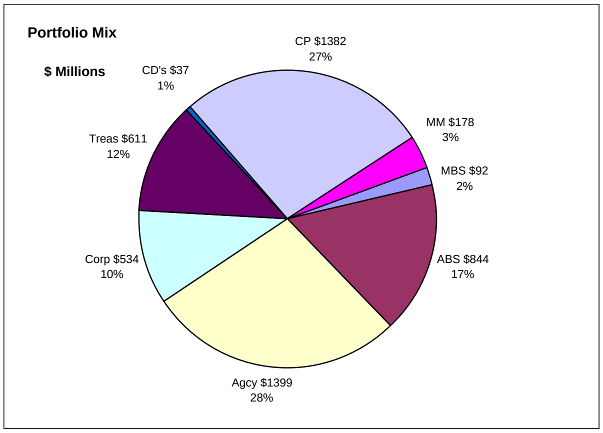


	$ Millions Average Portfolio	Interest Income	Book Yield	Performance Benchmarks (2)
FY '07 YTD	2,803.7	29.0	4.1%	4.7%
Last 12 months	2,713.0	107.5	3.9%	4.7%
FY '06	2,639.7	102.6	3.8%	4.5%
FY '05	2,267.9	90.9	4.0%	3.1%
FY '04	1,516.7	77.5	5.1%	1.9%
FY '03	1,899.0	109.9 [3]	5.8%	1.8%
FY '02	2,520.5	159.2	6.3%	3.2%
Avg FY '02-'06	2,168.8	108.0	5.0%	2.9%

(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) Net of $40.8 million in extraordinary gains on the sale of investments at the end of FY 2002-03.

Colorado Treasury Pool Combined

September 30, 2006



Portfolio Value

Market Value	$5,045.5	Million
Book Value	$5,076.5	Million

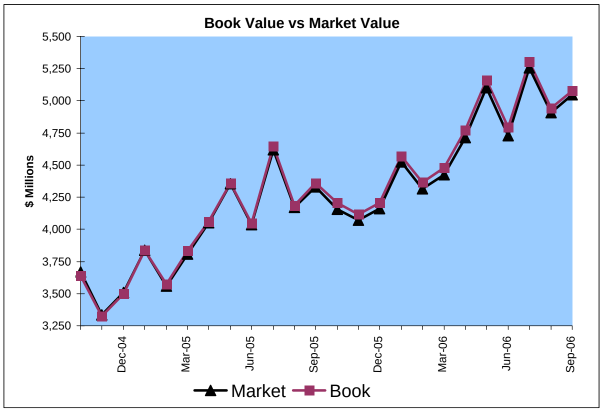
Yield and Average Maturity

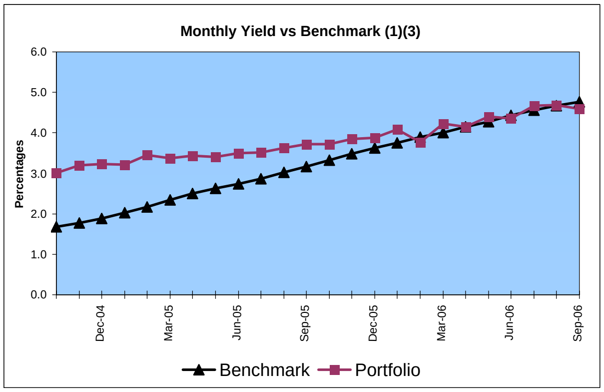
Portfolio Book Yield	4.6%	
Portfolio Average Maturity	14.5	Months

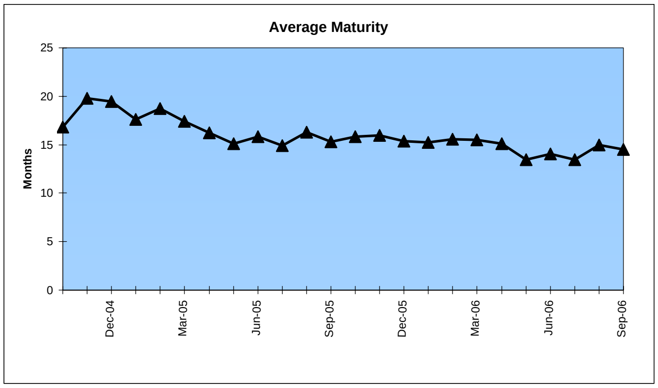
Portfolio Quality

	AAA	AA	A	BBB	Other	Portfolio Percent
Asset Backed	100.0%					16.6%
Corporates	8.9%	44.0%	46.5%	0.6%		10.5%
Mortgage Securities	100.0%					1.8%
Bankers' Acceptance						
Commercial Paper	17.6%	16.5%	36.2%		29.7% *	27.2%
Treasuries	100.0%					12.1%
Federal Agencies	100.0%					27.6%
Certificates of Deposit					100.0%	0.7%
Money Market Funds					100.0%	3.5%
Total Portfolio	63.8%	9.1%	14.7%	0.1%	12.3%	100.0%

***** The senior debt of the issurers are Ba1 & B1, but the asset backed commercial paper programs are rated A1+ , P1.





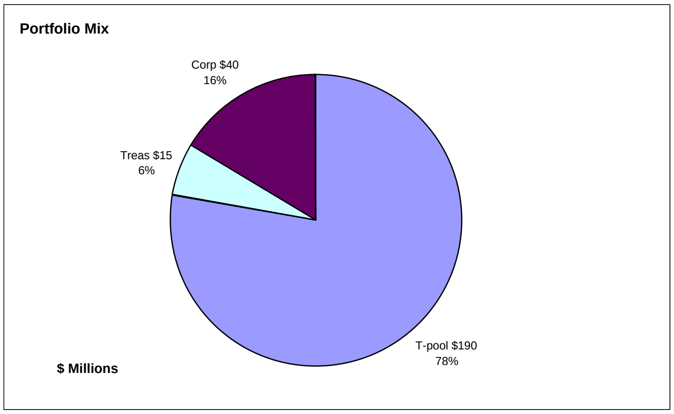


	$ Millions Average Portfolio	Interest Income	Book Yield	Performance Benchmarks (2)
FY '07 YTD	5,114.3	59.9	4.6%	4.8%
Last 12 months	4,714.4	201.3	4.3%	4.8%
FY '06	4,550.8	182.4	4.0%	4.4%
FY '05	3,863.7	125.8	3.3%	2.7%
FY '04	2,843.5	91.6	3.2%	1.4%
FY '03	2,719.6	124.1 [3]	4.6%	1.5%
FY '02	3,158.1	176.3	5.6%	2.6%
Avg FY '02-'06	3,427.1	140.0	4.1%	2.5%

(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) Net of $40.8 million in extraordinary gains on the sale of investments at the end of FY 2002-03.

Colorado State Education Fund

September 30, 2006



Portfolio Value

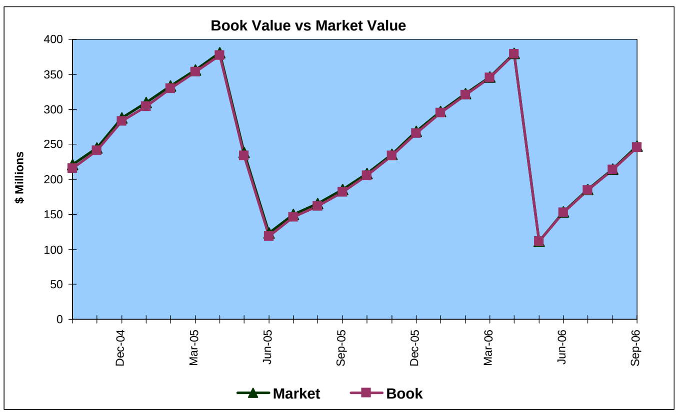
Market Value	$247.2	Million
Book Value	$245.4	Million

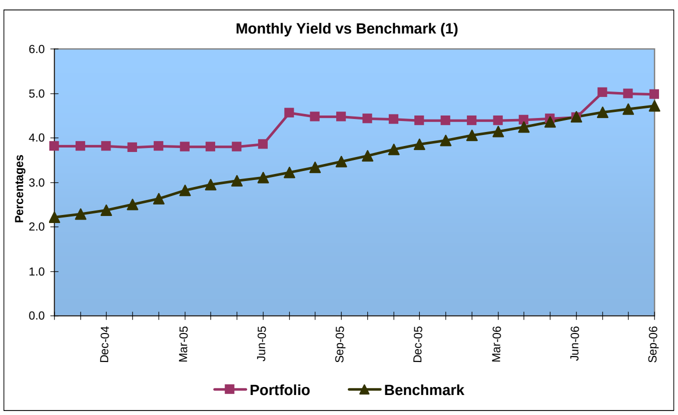
Yield and Average Maturity

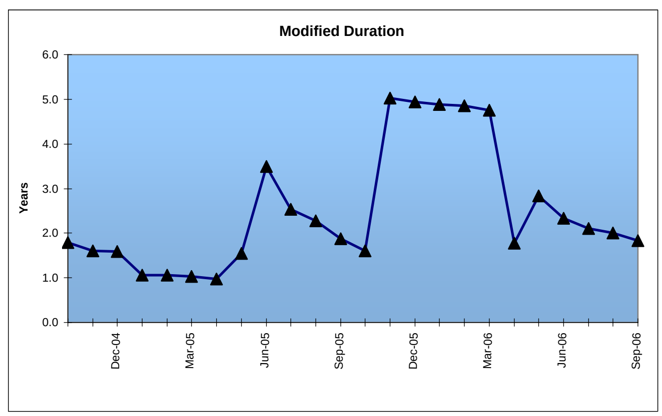
Portfolio Book Yield	5.0%	
Portfolio Average Duration	1.8	Yrs

Portfolio Quality

	AAA	AA	A	BBB	Portfolio Percent
Asset Backed					
Corporates	12.5%	50.3%	37.2%		16.3%
Mortgage Securities					
Treasuries	100.0%				6.0%
Federal Agencies					
T-Pool	83.0%	8.2%	8.7%	0.1%	77.7%
Total Portfolio	72.5%	14.6%	12.8%	0.1%	100.0%





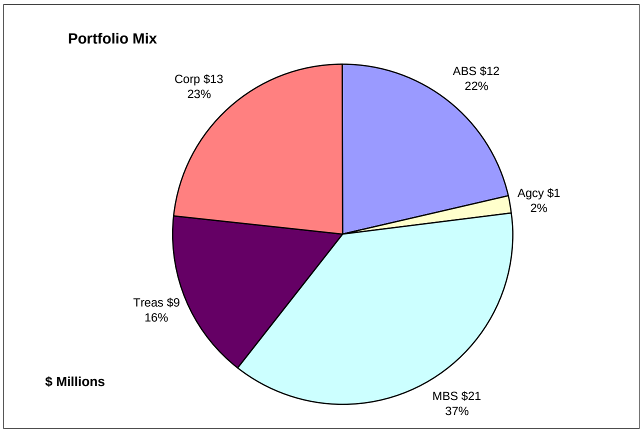


	$ Millions Average Portfolio	Interest Income		Book Yield	Performance Benchmarks (2)
FY '07 YTD	181.9	2.3		5.0%	4.7%
Last 12 months	220.1	10.0		4.6%	4.7%
FY '06	209.3	9.3		4.5%	4.5%
FY '05	234.9	9.1		3.9%	3.1%
FY '04	168.4	8.4	4	5.0%	4.3%
FY '03	374.8	20.9	3	5.6%	3.9%
Avg FY '03-'06	246.9	11.9		4.7%	4.0%
FY '02	284.4	16.3		5.7%	5.0% First Investments 8/01

(1) Latest 12 month average of the constant maturity yield on the 10 year Treasury note through 6/30/03.
*** Effective July 2003, changed to latest 12 month average of the constant maturity yield on the 2 year Treasury note due to a legislative decision to change the long-term cash flows of the State Education Fund.**
(2) Latest 12 month average of the constant maturity yield on the 10 year Treasury note at end of period through 6/30/03.
*** Effective July 2003, changed to latest 12 month average of the constant maturity yield on the 2 year Treasury note due to a legislative decision to change the long-term cash flows of the State Education Fund.**
(3) Net of $15.6 million in extraordinary gains on sale of investments in June 2003.
(4) Net of $5.44 million in extraordinary gains on sale of investments in November 2003.

Colorado Major Medical Insurance Fund

September 30, 2006



Portfolio Value

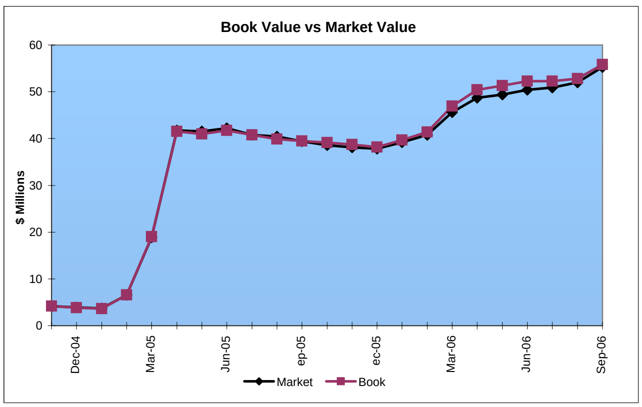
Market Value	$55.3 Million
Book Value	$55.8 Million

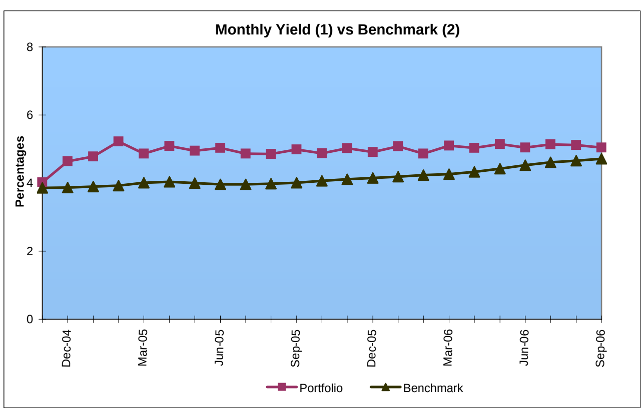
Yield and Duration

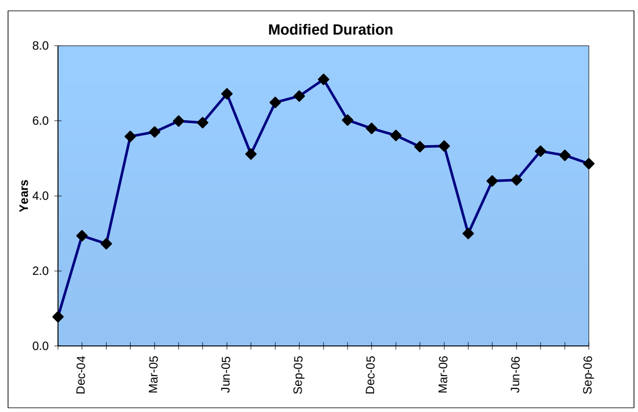
Portfolio Book Yield	4.9%
Portfolio Modified Duration	4.9 Yrs

Portfolio Quality

	AAA	AA	A	BBB	Portfolio Percent
Asset Backed	100.0%				21.5%
Corporates	11.5%	30.8%	57.7%		23.3%
Federal Agencies	100.0%				1.6%
Mortgage Securities	100.0%				37.5%
Treasuries	100.0%				16.1%
Total Portfolio	79.4%	7.2%	13.4%		100.0%



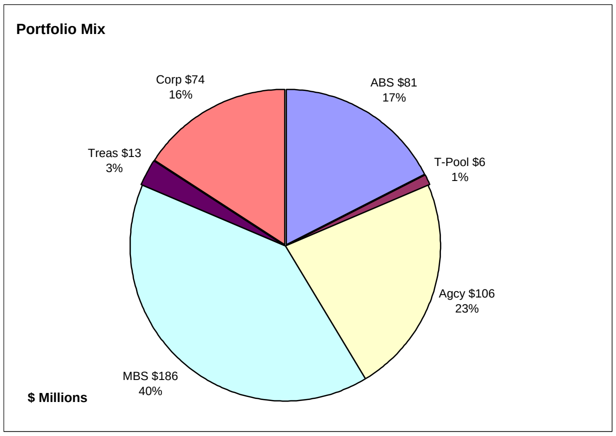




	$ Millions Average Portfolio	Interest Income	Book Yield	Performance Benchmarks (3)
FY '07 YTD	66.7	0.8	4.9%	4.7%
Last 12 months	56.0	2.7	4.8%	4.7%
FY '06	49.4	2.3	4.7%	4.5%
FY '05	16.3	0.5	5.0%	4.0% First Investments 11/04

(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.

Colorado Public School Permanent Fund
September 30, 2006



Portfolio Value

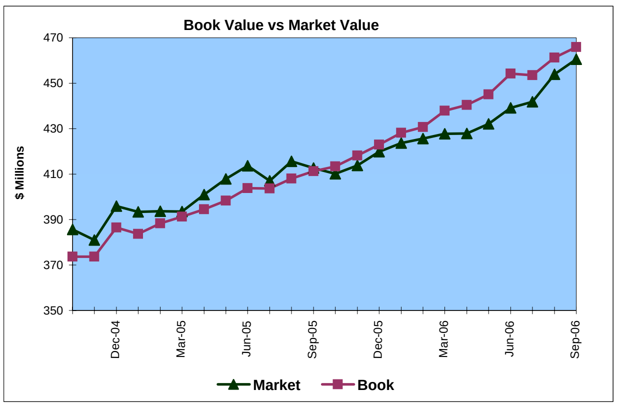
Market Value	$460.6	Million
Book Value	$465.9	Million

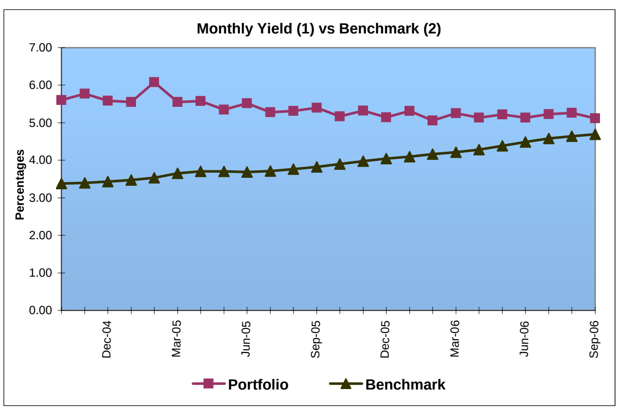
Yield and Average Maturity

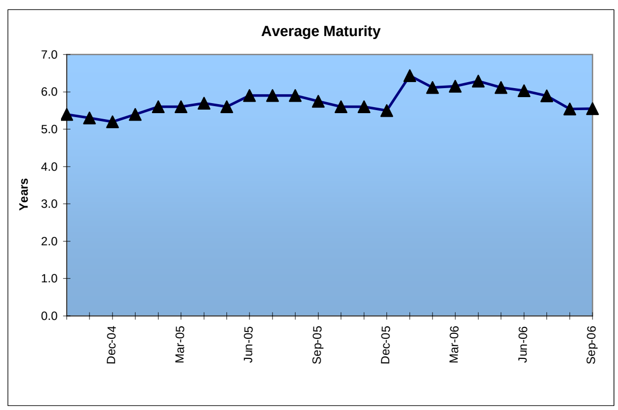
Portfolio Book Yield	5.2%	
Portfolio Average Maturity	5.6	Yrs

Portfolio Quality

	AAA	AA	A	BBB	Portfolio Percent
Asset Backed	100.0%				17.4%
Corporates	39.7%	34.5%	25.8%		15.8%
Mortgage Securities	100.0%				39.9%
Treasuries	100.0%				2.9%
Federal Agencies	100.0%				22.8%
T-Pool	83.0%	8.2%	8.7%	0.1%	1.2%
Total Portfolio	90.3%	5.5%	4.2%	0.0%	100.0%



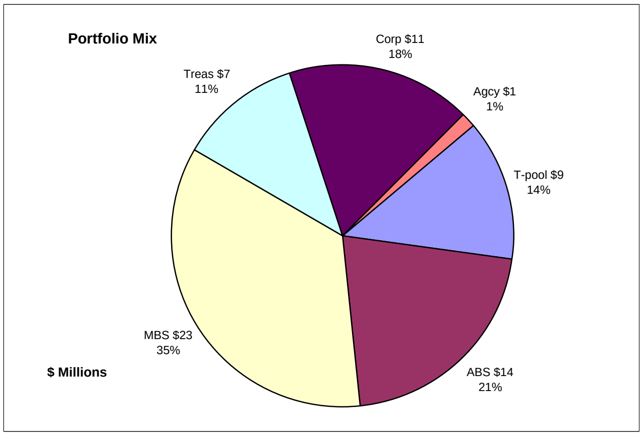




	$ Millions Average Portfolio	Interest Income	Book Yield	Performance Benchmarks (3)
FY '07 YTD	453.3	6.0	5.2%	4.7%
Last 12 months	431.7	22.7	5.3%	4.7%
FY '06	418.7	22.2	5.3%	4.5%
FY '05	376.9	21.4	5.7%	3.7%
FY '04	347.2	20.8	6.0%	3.3%
FY '03	331.9	21.4	6.5%	3.0%
FY '02	319.2	21.7	6.8%	4.5%
Three Year Average	380.9	21.5	5.7%	3.8%
Five Year Average	358.8	21.5	6.1%	3.8%

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

Unclaimed Property Tourism Fund
September 30, 2006



Portfolio Value

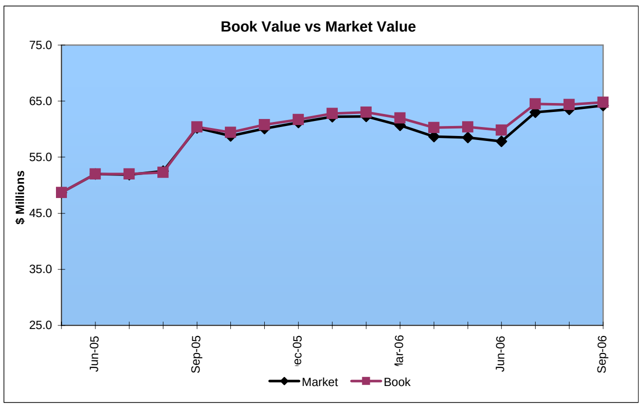
Market Value	$64.2	Million
Book Value	$64.8	Million

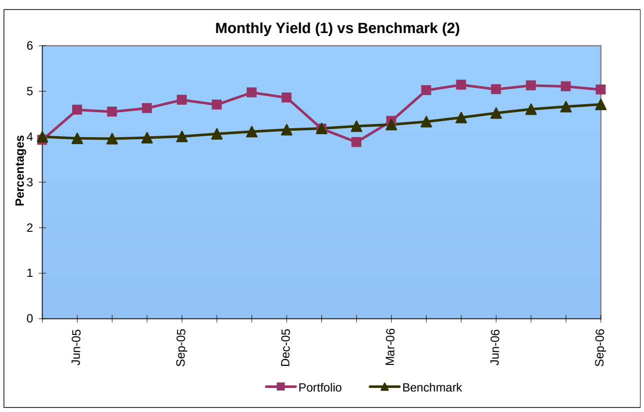
Yield and Average Maturity

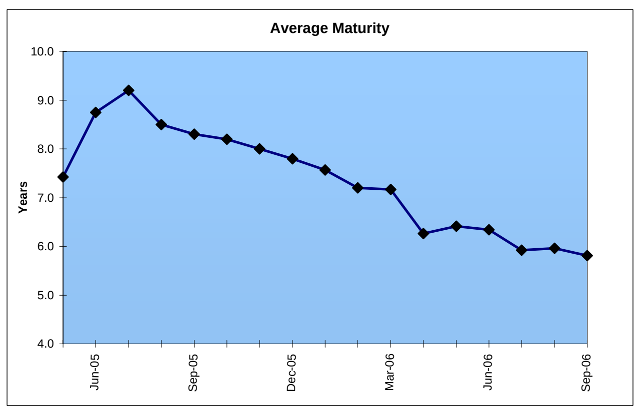
Portfolio Book Yield	5.0%	
Portfolio Average Maturity	5.8	Yrs

Portfolio Quality

	AAA	AA	A	BBB	Portfolio Percent
Asset Backed	100.0%				20.8%
Corporates	13.1%	21.7%	65.2%		17.8%
Federal Agencies	100.0%				1.4%
Mortgage Securities	100.0%				35.2%
Treasuries	100.0%				11.4%
T-Pool	83.0%	8.2%	8.7%	0.1%	13.4%
Total Portfolio	82.3%	5.0%	12.7%	0.0%	100.0%







	$ Millions Average Portfolio	Interest Income	Book Yield	Performance Benchmarks (3)
FY '07 YTD	64.0	0.8	5.0%	4.7%
Last 12 months	61.8	2.9	4.7%	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

(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.

#120 – Bank Services Contract Expenditures for FY 2005-06 & 2006-07

Vendor	Services Provided	Actual FY 2005-06	Estimated FY 2006-07
CHASE BANK	Bank account services [1]	$907,466	$907,466
WELLS FARGO	Bank account services [1]	164,195	164,195
KEY BANK	Lockbox services [1]	399,270	399,270
KEY BANK	Securities safekeeping, through September 30, 2005 *	9,976	none
JPMORGAN	Securities safekeeping, beginning September 1, 2005 *	52,394	81,696
JPMORGAN	Investment management services, beginning September 1, 2005 [2]	32,754	56,000
	TOTAL	**$1,566,055**	**$1,608,627**

* There was a one month overlap while transitioning from one vendor to the other.

[1] At this time Treasury has no reason to believe that annual transaction volumes will differ significantly from FY 2005-06 to FY 2006-07; and per the banking service contracts, per-transaction fees are fixed until the contract renewal date. Therefore, the estimated costs for those items for FY 2006-07 are assumed to be the same as the actual costs for FY 2005-06.

[2] Prior to selecting JPMorgan as Treasury's vendor for investment management services, QED Information Systems, Inc. (QED) performed this service. QED was paid $8,000 per quarter for its services, however, this cost was not recorded through a deduction from interest earnings. In the past, the cost for investment management services was recorded as a Treasury operating expense.

#121 – School District TRAN Revenues & Expenditures
FY 2003-04 through 2006-07

	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual / Estimate FY 2006-07
SERIES A Principal	$195,000,000	$225,000,000	$225,000,000	$145,000,000
Net Interest Cost	*1.06%*	*1.72%*	*2.75%*	*3.84%*
SERIES B Principal	$200,000,000	$295,000,000	$190,000,000	(est.) $325,000,000
Net Interest Cost	*1.22%*	*2.12%*	*3.68%*	*(a)*
Total Principal	**$395,000,000**	**$520,000,000**	**$415,000,000**	**$470,000,000**
Total Revenues:				
Premium	$2,420,525	$6,018,700	$6,597,563	(b) $1,011,766
Interest Earned	$2,862,983	$9,183,931	$13,208,316	(c)
Total Expenditures:				
Issue Costs	($397,481)	($224,763)	($220,317)	(b) ($162,332)
Interest Due	($6,251,389)	($14,283,750)	($17,744,792)	(b) ($6,923,750)
General Fund Net (Loss) Gain	**($1,365,362)**	**$694,118**	**$1,840,770**	**(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.

UNCLAIMED PROPERTY
SUMMARY OF REVENUES, DISBURSEMENTS AND TRANSERS

FY	Revenues, Claims, and Reserves <1>						Interest	Transfers				Administration
	Revenue from Property Received <2>	Claims Paid	*$ Claims Paid as Percent of Annual Revenue*	Remainder: Cumulative Revenue Less Cumulative Claims Paid	Cumulative Amount Reserved for Future Claims	*Reserve as Percent of Cumulative Remainder*	Interest Earned and Transferred to Cover-Colorado <3>	Transfers to the General Fund <4>	Transfers to Cover-Colorado <5>	Transfers to Industrial Banks	Total Transfers <2>	Program Expenses <6>
FY 87-88	$ 9,751,171	$ 249,628	*2.6%*	$ 9,501,543	$ -	*0.0%*	$ -	$ 6,147,302	$ -	$ -	$ 6,147,302	$ -
FY 88-89	4,329,502	1,595,829	*36.9%*	12,235,216	1,782,968	*14.6%*	-	2,980,221	-	-	2,980,221	-
FY 89-90	5,295,917	1,580,758	*29.8%*	15,950,375	3,558,804	*22.3%*	-	3,825,715	-	-	3,825,715	-
FY 90-91	6,206,351	1,309,109	*21.1%*	20,847,617	5,342,046	*25.6%*	-	2,077,701	-	1,128,099	3,205,800	-
FY 91-92	8,003,608	1,874,913	*23.4%*	26,976,312	6,874,320	*25.5%*	-	3,483,503	-	1,619,782	5,103,285	-
FY 92-93	13,289,378	2,515,217	*18.9%*	37,750,473	8,856,802	*23.5%*	-	7,407,973	-	2,250,000	9,657,973	-
FY 93-94	14,889,600	5,119,539	*34.4%*	47,520,534	10,734,534	*22.6%*	-	445,559	2,500,000	1,190,000	4,135,559	-
FY 94-95	15,907,922	4,197,502	*26.4%*	59,230,954	12,602,823	*21.3%*	-	7,028,098	3,658,166	1,425,000	12,111,264	-
FY 95-96	12,934,898	5,003,806	*38.7%*	67,162,046	14,361,775	*21.4%*	-	2,850,854	3,503,400	-	6,354,254	-
FY 96-97	18,093,146	6,797,756	*37.6%*	78,457,436	16,653,549	*21.2%*	-	2,533,412	4,802,739	-	7,336,151	-
FY 97-98	18,662,033	5,325,805	*28.5%*	91,793,664	19,012,952	*20.7%*	-	5,990,334	4,147,329	-	10,137,663	-
FY 98-99	19,555,716	5,437,669	*27.8%*	105,911,711	21,427,210	*20.2%*	-	7,361,886	4,789,442	-	12,151,328	-
FY 99-00	21,480,721	6,145,677	*28.6%*	121,246,755	23,349,900	*19.3%*	-	7,723,518	4,447,978	-	12,171,496	-
FY 00-01	28,368,425	6,926,218	*24.4%*	142,688,962	25,317,081	*17.7%*	-	11,299,128	5,405,554	-	16,704,682	-
FY 01-02	27,421,219	7,498,587	*27.3%*	162,611,593	27,295,323	*16.8%*	2,191,000	9,970,171	3,891,000	-	13,861,171	865,051
FY 02-03	31,277,057	9,071,423	*29.0%*	184,817,227	29,134,735	*15.8%*	648,285	32,882,229	648,285	-	33,530,514	951,632
FY 03-04	40,488,819	9,682,217	*23.9%*	215,623,829	30,837,502	*14.3%*	1,463,330	1,447,600	1,463,330	-	2,910,930	1,455,204
FY 04-05	45,391,986	9,965,742	*22.0%*	251,050,073	34,839,516	*13.9%*	-	-	1,744,193	-	1,744,193	1,638,246
FY 05-06	42,699,789	12,702,924	*29.7%*	281,046,938	38,521,426	*13.7%*	-	-	7,232,579	-	7,232,579	1,816,179
TOTALS	$ 384,047,258	$ 103,000,319	*26.8%*				4,302,615	115,455,204	48,233,995	7,612,881	171,302,080	6,726,312
	Percent of Total Revenues to Date							*30.1%*	*12.6%*	*2.0%*	*44.6%*	*1.8%*

<1> The Unclaimed Property Trust Fund was created as of July 1, 2001. Prior to this moneys were allocated among three funds: the Abandoned Property Fund, the Unclaimed Insurance Moneys Fund, and the Business Associations Unclaimed Moneys Fund. For purposes of this spreadsheet, data for these three funds has been combined.

<2> Both revenues and transfers exclude $51,651,019 that was earned through the sale of securities in May 2005. Pursuant to S.B. 04-256, this amount was deposited in the Unclaimed Property Tourism Promotion Trust Fund. The Department is required to maintain the corpus of this new fund for purposes of paying future claims and to transfer interest earnings to the Colorado Travel and Tourism Promotion Trust Fund.

<3> Prior to FY 2001-02, all interest earned was transferred to the General Fund and does not appear above. From FY 2001-02 through FY 2003-04, interest earnings were transferred to CoverColorado; these amounts are included in the Transfers to CoverColorado listed above.

<4> Prior to FY 2001-02, Section 38-13-116 (1), C.R.S., required the Department to transfer amounts in excess of $120,000 to the General Fund. Subsequent legislation required a transfer of $14,300,000 to the General Fund for FY 2001-02 and $30,000,000 in FY 2002-03. A total of $44.3 million was transferred, as the fund balance allowed, from FY 2001-02 through FY 2003 04.

<5> For FY 1993-94 through FY 2000-01, Section 38-13-116 (4) (b), C.R.S., required the Department to transfer $2,500,000 annually to CoverColorado; from FY 1994-95 through FY 2000-01, Section 38-13-116 (4) (a), C.R.S., required the Department to transfer to CoverColorado excess amounts that were not required to pay unclaimed property claims. Section 38-13-116.5 (2.5) (b), C.R.S., required the Department to transfer $1,700,000 to CoverColorado for FY 2001-02 and Section 38-13-116.5 (1) (c), C.R.S., required the Department to transfer interest earnings to CoverColorado (effective for FY 2001-02 through FY 2003-04). Pursuant to S.B. 04-211, current law [Section 38-13-116.5 (2) and (2.7), C.R.S.], requires the Department to transfer up to the full amount of principal and interest in the Trust Fund, less claims paid, less program administrative expenses.

<6> Prior to FY 2001-02, the General Assembly appropriated General Fund moneys for administration of the Unclaimed Property Program. Pursuant to S.B. 00-57 [Section 38-13-116.5 (2), C.R.S.], the program is now supported through appropriations of principal in the Unclaimed Property Trust Fund.

FY	**Unclaimed Property Tourism Promotion Trust Fund <1>**				
	Revenue	**Claims Paid**	***$ Claims Paid as % of Annual Revenue***	**Remainder: Cumulative Revenue Less Cumulative Claims Paid**	**Interest and Investment Earnings <3>**
FY 04-05	$ 51,651,019	$ -	*0.0%*	$ 51,651,019	$ -
FY 05-06	9,753,050	1,286,547	*13.2%*	60,117,522	2,745,843

<1> The Unclaimed Property Tourism Promotion Trust Fund was created pursuant to S.B. 04-256.

<2> The revenue identified for FY 2004-05 reflects proceeds from the initial sale of securities that occurred in May 2005. Section 38-13-116 (2), C.R.S., requires the Department of Treasury to retain the full principal balance in the Trust Fund to pay future claims.

<3> Pursuant to Section 38-13-116.7 (3), C.R.S., the Department is required to credit interest and investment earnings on this Trust Fund to the Colorado Travel and Tourism Promotion Fund. The Department does so on a monthly basis.