

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2010-11 STAFF FIGURE SETTING:

STATE TREASURER'S OFFICE

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

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**FY 2010-11 JOINT BUDGET COMMITTEE STAFF
FIGURE SETTING RECOMMENDATIONS
STATE TREASURER'S OFFICE**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
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**FISCAL YEAR 2010-11 JOINT BUDGET COMMITTEE STAFF FIGURE SETTING RECOMMENDATIONS
STATE TREASURER'S OFFICE**

Numbers Pages

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Change
	Actual	Actual	Appropriation	Request	Recommendation
					Requests
DEPARTMENT OF THE TREASURY					
State Treasurer: Cary Kennedy					
(1) ADMINISTRATION					
Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash funds sources are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.					
Personal Services	1,139,342	1,219,169	1,323,761	1,269,689	1,269,689
FTE	<u>14.2</u>	<u>15.1</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>
General Fund	381,854	222,376	252,287	446,732	446,732
Cash Funds a/	757,488	996,793	1,071,474	822,957	822,957
Health, Life, and Dental	<u>100,399</u>	<u>123,208</u>	<u>145,818</u>	<u>145,818</u>	<u>145,818</u>
General Fund	60,329	64,309	78,939	78,939	78,939
Cash Funds	40,070	58,899	66,879	66,879	66,879
Short-term Disability	<u>1,908</u>	<u>2,119</u>	<u>2,360</u>	<u>2,432</u>	<u>2,546</u>
General Fund	1,243	1,417	1,596	1,645	1,744
Cash Funds	665	702	764	787	802
S.B. 04-257 Amortization Equalization Disbursement	<u>17,312</u>	<u>26,027</u>	<u>34,753</u>	<u>35,684</u>	<u>39,049</u>
General Fund	11,177	15,808	23,486	24,115	26,629
Cash Funds	6,135	10,219	11,267	11,569	12,420
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>3,377</u>	<u>12,052</u>	<u>21,698</u>	<u>22,280</u>	<u>28,278</u>
General Fund	2,099	7,509	14,193	14,586	19,222
Cash Funds	1,278	4,543	7,505	7,694	9,056
Salary Survey and Senior Executive Service	<u>49,868</u>	<u>71,339</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	32,825	48,625	0	0	0
Cash Funds	17,043	22,714	0	0	0

**FISCAL YEAR 2010-11 JOINT BUDGET COMMITTEE STAFF FIGURE SETTING RECOMMENDATIONS
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	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11		Change
	Actual	Actual	Appropriation	Request	Recommendation	Requests
Performance-based Pay Awards	<u>18,820</u>	<u>25,162</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	11,839	16,623	0	0	0	
Cash Funds	6,981	8,539	0	0	0	
Workers' Compensation and Payment to Risk Management and Property Funds - GF	1,885	2,377	2,208	1,685	1,685	OSPB BR
Operating Expense - General Fund	109,888	148,884	197,973	197,988	197,988	BR # 1
Information Technology Asset Maintenance	<u>12,568</u>	<u>8,748</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	
General Fund	6,284	2,464	6,284	6,284	6,284	
Cash Funds	6,284	6,284	6,284	6,284	6,284	
Legal Services for 575 Hours	<u>39,863</u>	<u>39,411</u>	<u>43,344</u>	<u>43,344</u>	<u>43,344</u>	
General Fund	19,154	17,820	21,672	21,672	21,672	
Cash Funds	20,709	21,591	21,672	21,672	21,672	
Purchase of Services from Computer Center - GF	4,937	21,767	21,767	3,813	3,813	OSPB BR
Capitol Complex Leased Space - GF	55,200	54,919	54,954	53,949	53,949	OSPB BR
Charter Schools Facilities Financing Services - CF b/	2,184	2,579	5,000	5,000	5,000	
Discretionary Fund - GF	771	614	5,000	5,000	5,000	
						<i>Recommend v. Appropriation</i>
Subtotal - (1) Administration	1,558,322	1,758,375	1,871,204	1,799,250	1,808,727	-3.6%
FTE	<u>14.2</u>	<u>15.1</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	0.0%
General Fund	699,485	625,512	680,359	856,408	863,657	-7.5%
Cash Funds	858,837	1,132,863	1,190,845	942,842	945,070	0.2%

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

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

**FISCAL YEAR 2010-11 JOINT BUDGET COMMITTEE STAFF FIGURE SETTING RECOMMENDATIONS
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	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation	Change Requests
(2) UNCLAIMED PROPERTY PROGRAM						
This program collects unclaimed property and attempts to locate and return unclaimed properties to the legal owners or heirs. Funding source is the Unclaimed Property Trust Fund.						
Personal Service - CF	643,368	692,158	764,923	764,966	764,966	
FTE	9.0	9.2	15.5	15.5	15.5	
Operating Expenses - CF	91,351	116,152	121,588	124,507	124,507	
Promotion and Correspondence - CF	136,274	150,010	200,000	200,000	200,000	
Leased Space - CF	46,103	45,534	50,257	51,990	51,990	
Contract Auditor Services - CF a/	800,000	671,736	800,000	800,000	800,000	
						<i>Recommend v. Appropriation</i>
Subtotal - (2) Unclaimed Property Program -						
Cash Funds	1,717,096	1,675,590	1,936,768	1,941,463	1,941,463	-0.8%
FTE	9.0	9.2	15.5	15.5	15.5	0.0%

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

(3) SPECIAL PURPOSE

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

Senior Citizen and Disabled Veteran Property Tax Exemption - GF	79,843,540	85,586,694	1,000,000	96,600,000	96,400,000
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**FISCAL YEAR 2010-11 JOINT BUDGET COMMITTEE STAFF FIGURE SETTING RECOMMENDATIONS
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Numbers Pages

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11		Change
	Actual	Actual	Appropriation	Request	Recommendation	Requests
CoverColorado	<u>19,426,146</u>	<u>31,174,631</u>	<u>27,000,000</u>	<u>34,000,000</u>	<u>34,000,000</u>	
Cash Funds	0	31,174,631	27,000,000	34,000,000	34,000,000	
Cash Funds Exempt	19,426,146	0	0	0	0	
Fire and Police Pension Association "Old-hire" Pension Plans - GFE	34,777,172	0	0	0	0	
Highway Users Tax Fund - County Payments	<u>163,703,451</u>	<u>155,403,560</u>	<u>159,528,684</u>	<u>164,633,602</u>	<u>164,633,602</u>	
Cash Funds	0	155,403,560	159,528,684	164,633,602	164,633,602	
Cash Funds Exempt	163,703,451	0	0	0	0	
Highway Users Tax Fund - Municipality Payments	<u>106,687,933</u>	<u>101,133,396</u>	<u>104,280,011</u>	<u>107,616,971</u>	<u>107,616,971</u>	
Cash Funds	0	101,133,396	104,280,011	107,616,971	107,616,971	
Cash Funds Exempt	106,687,933	0	0	0	0	
						<i>Recommend v. Appropriation</i>
Subtotal - (3) Special Purpose	<u>404,438,242</u>	<u>373,298,281</u>	<u>291,808,695</u>	<u>402,850,573</u>	<u>402,650,573</u>	38.0%
General Fund	79,843,540	85,586,694	1,000,000	96,600,000	96,400,000	9540.0%
General Fund Exempt	34,777,172	0	0	0	0	N/A
Cash Funds	0	287,711,587	290,808,695	306,250,573	306,250,573	5.3%
Cash Funds Exempt	289,817,530	0	0	0	0	N/A
						<i>Recommend v. Appropriation</i>
Department Total - Department of the Treasury	407,713,660	376,732,246	295,616,667	406,591,286	406,400,763	37.5%
FTE	23.2	24.3	31.5	31.5	31.5	0.0%
General Fund	80,543,025	86,212,206	1,680,359	97,456,408	97,263,657	4929.9%
General Fund Exempt	34,777,172	0	0	0	0	N/A
Cash Funds	2,575,933	290,520,040	293,936,308	309,134,878	309,137,106	5.3%
Cash Funds Exempt	289,817,530	0	0	0	0	N/A

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Summary of Staff Recommendations in this Packet					
Description	Total Funds	General Fund	General Fund Exempt	Cash Funds	FTE
FY 2009-10 Long Bill	\$386,041,531	\$92,333,721	\$0	\$293,707,810	31.5
S.B. 09-276 /a	(90,400,000)	(90,400,000)	0	0	0.0
FY 2009-10 Supplemental	(24,864)	(253,362)	0	228,498	0.0
FY 2008-09 Appropriation	295,616,667	1,680,359	0	293,936,308	31.5
<i>Recommended Changes from FY 2009-10 Appropriation:</i>					
Annualization of S.B. 09-276 /a	90,400,000	90,400,000	0	0	0.0
Increase in HUTF distributions to cities and counties	8,441,878	0	0	8,441,878	0.0
Estimated changes in transfer to CoverColorado /a	7,000,000	0	0	7,000,000	0.0
Estimated changes in Senior and Veterans Homestead Exemption (per Legislative Council December 2009 forecast) /a	5,000,000	5,000,000	0	0	0.0
Lease Adjustment for Unclaimed Property Division	1,733	0	0	1,733	0.0
PERA Contribution Shift	(45,770)	(28,946)	0	(16,824)	0.0
Annualization of FY 2009-10 Supplemental Appropriations	(6,674)	224,462	0	(231,136)	0.0
Other Changes (Including pending items and common policy adjustments)	(7,071)	(12,218)	0	5,147	0.0
Total FY 2010-11					
Staff Recommendation	\$406,400,763	\$97,263,657	\$0	309,137,106	31.5
\$ Change from prior year	\$110,784,096	\$95,583,298	\$0	\$15,200,798	0.0
% Change from prior year	37.5%	5688.3%	n/a	5.2%	0.0%

/a These amounts are not subject to the statutory limit on General Fund appropriations.

Budget Balancing Options /a					
Description	Total Funds	General Fund	General Fund Exempt	Cash Funds	FTE
Proposed Reductions in General Fund Expenditures					
Suspend Senior Citizen and Disabled Veterans Homestead Exemption	(\$95,500,000)	(\$95,500,000)	\$0	\$0	0.0

/a Proposed as part of the Governor's budget balancing recommendation for FY 2010-11. Proposal requires statutory changes and are not included in staff's figure setting recommendations.

(1) ADMINISTRATION

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

Accounting. The accounting section primarily performs daily reconciliation of all cash that flows in and out of the State's bank accounts. This section also is responsible for allocating monthly interest earnings to various funds managed by the Department. This section manages a number of disbursements and transfers, including: distributing Highway Users Tax Fund (HUTF) moneys, tobacco settlement moneys, tobacco tax moneys, and federal mineral leasing funds; disbursing Senior Citizen and Disabled Veterans Property Tax Exemption payments to local governments; transferring state contributions to the Fire and Police Pension Association; and transmitting moneys from the Unclaimed Property Trust Fund to CoverColorado. This section issues cash flow notes on behalf of school districts participating in the interest-free loan program, and it administers the school bond payment guarantee program, as well as the charter school intercept and moral obligation credit enhancement program. Finally, this section is responsible for managing the Elderly Property Tax Deferral Program.

Cash Management. The cash management section manages the State's banking service agreements and bank accounts, coordinates receipts and disbursements, and works with the investment staff to ensure that sufficient funds are maintained in the state's bank accounts. One of the main goals of the cash management section is to maintain a sufficient amount of cash to allow the State to meet its financial obligations, while at the same time investing as much as possible in order to maximize interest and investment income.

Investment. This section manages large portfolios collectively worth approximately \$6 billion. The assets are managed under statutory guidelines with the objectives of reducing financial risk, maintaining desired portfolio liquidity, and maintaining high yields.

General Note Concerning Funding for This Section: Pursuant to Section 24-36-120, C.R.S., the Administration Division is partially funded by a transaction fee imposed on cash transactions that

the division conducts on behalf of the more than 100 interest-earning cash funds that are subject to the fee. The resulting revenue covers about half of the Administration Division's expenses, which would otherwise be paid by the General Fund. The fee per transaction for FY 2010-11 will be established at the start of the fiscal year; it will equal the FY 2010-11 appropriation for the Administration Division divided by the total number of cash transactions conducted by the Treasury during the prior year (FY 2009-10), including transactions conducted on behalf of funds that don't pay the fee. The amount paid by an "eligible" fund during FY 2009-10 will then equal the per transaction fee multiplied by the number of transactions conducted by the Treasury on behalf of that fund during the prior year (FY 2009-10).

This means that the General Fund pays approximately half of *any* increased Administration Division appropriation with the rest paid by eligible cash funds. For example, if the General Assembly increases the Administration Division's Operating Expenses appropriation by \$1,000, the per transaction fee will inch up a fraction of a cent, raising approximately \$500 more from the eligible cash funds; the General Fund covers the remainder. However, in order to simplify the budgeting process, staff reflects all of the transaction fee revenue in the Personal Services line, making it appear that other Administration-Division expenditures are financed exclusively from the General Fund.

Personal Services.

This line item provides funding for employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare taxes. This line item also provides funding for certain professional and temporary services.

Staffing Summary	FY 2008-09	FY 2009-10	FY 2009-10	
	Actual	Approp.	Request	Recomm.
State Treasurer	1.0	1.0	1.0	1.0
Deputy Treasurer	1.0	1.0	1.0	1.0
Controller / Management	1.0	1.0	1.0	1.0
Investment Officers	3.0	3.0	3.0	3.0
Cash Manager	0.9	1.0	1.0	1.0
Accountants/Accounting Techs.	6.8	7.0	7.0	7.0
Administrative Assistants	0.5	1.0	1.0	1.0
Director of Initiatives	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
TOTAL	15.1	16.0	16.0	16.0

The Department requests a continuation appropriation of \$1,298,635 (\$475,678 General Fund and \$822,957 cash funds from Treasury transaction fees).

The following table, which employs the common policy approved by the Committee, summarizes staff's calculation of the FY 2010-11 personal services recommendation for the Administration Division.

Personal Services Calculation for the Administration Division				
	Total	General Fund	Cash Funds	FTE
FY 2009-10 Long Bill Appropriation for Personal Services	\$1,298,635	\$475,678	\$822,957	16.0
Supplemental Appropriations for Personal Services				
Funding Mix Change	0	(144,742)	144,742	0.0
Reductions through Furlough Days	(36,923)	(36,923)	0	0.0
Administrative cost spending authority from the American Recovery and Reinvestment Act (ARRA)	<u>49,939</u>	<u>(35,671)</u>	<u>85,610</u>	<u>0.0</u>
FY 2009-10 Total Personal Services Appropriation	1,311,651	258,342	1,053,309	16.0
Annualize one-time Supplemental "Funding Mix Change"	0	144,742	(144,742)	0.0
Annualize Furlough Adjustments	36,923	36,923	0	0.0
Annualize Supplemental funding for Statewide ARRA administrative cost spending authority	<u>(49,939)</u>	<u>35,671</u>	<u>(85,610)</u>	<u>0.0</u>
Continuation-Level Appropriation for FY 2008-09	1,298,635	475,678	822,957	16.0
Budget Amendment - 2.5% PERA Contribution Shift	<u>(28,946)</u>	<u>(28,946)</u>	<u>0</u>	<u>0.0</u>
Recommendation for FY 2010-11 /a	1,269,689	446,732	822,957	16.0
<u>Cash Fund Sources</u>				
Treasury Transactions fee			757,489	
Unclaimed Property Trust Fund			<u>65,468</u>	
Total Cash Funds			822,957	

/a The Department has requested a budget amendment to account for the PERA contribution shift of 2.5 percent from the State to employees for FY 2010-11. Staff's recommendation is based on the passage of a bill which would implement the contribution shift. Staff's recommendation for FY 2010-11 reverts to continuation level funding for this line if such a bill does not become law by the time the Long Bill is finalized.

Staff recommends an appropriation of \$1,269,689 (consisting of \$446,732 General Fund and \$822,957 cash funds) and 16.0 FTE, contingent upon the passage of a bill that reduces the employer PERA contribution from 10.14 percent to 7.64 percent for FY 2010-11. If the bill does not become law, staff's recommendation is for a continuation appropriation of \$1,298,635, including \$475,678 General Fund. Staff believes that the continued appropriation of 16.0 FTE is justified. There were 16.0 FTE in the Administration Division in 1974, the same number employed there today. During the intervening years, state government has grown substantially and the Division has been assigned a wide array of new tasks without an increase in FTE. The cash funds sources are the Treasury Transactions Fee and the Unclaimed Property Trust Fund.

Health, Life and Dental.

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The Department is requesting continuation funding of \$145,818, including \$78,939 General Fund and \$66,879 cash funds.

As with all other central appropriations in the Administration Division, the cash funds portion of this appropriation reflects the share of the Health, Life, and Dental expenditure that will be paid from the Unclaimed Property Trust Fund to support the Unclaimed Property Division.

Staff recommends approval of the Department's request for \$145,818, including \$78,939 General Fund and \$66,879 cash funds. The Committee has not made its decision on this common policy. Staff will ultimately reflect Committee policy in the appropriation for this line item.

Short-term Disability.

This line item provides funding for the employer's share of state employees' short-term disability insurance premiums. The State is currently covering 100 percent of premium costs. The Department requests \$22,432 (including \$1,645 General Fund and \$787 cash funds) for short-term disability insurance for FY 2009-10. Pursuant to Committee common policy, **staff recommends a total appropriation of \$2,546 (including \$1,744 General Fund and \$802 cash funds from the Unclaimed Property Trust Fund).**

Amortization Equalization Disbursement.

Pursuant to S.B. 04-257, this line item provides additional funding to increase the state contribution for Public Employees' Retirement Association (PERA). The Department requests a total of \$35,684 (including \$24,115 General Fund and \$11,569 cash funds). Pursuant to Committee common policy, **staff recommends an appropriation of \$39,049 (including \$26,629 General Fund and \$12,420 cash funds from the Unclaimed Property Trust Fund).**

Supplemental Amortization Equalization Disbursement.

Pursuant to S.B. 06-235, this line item provides additional funding to increase the state contribution for Public Employees' Retirement Association (PERA). The Department requests a total of \$22,280 (including \$14,586 General Fund and \$7,694 cash funds). Pursuant to Committee common policy, **staff recommends an appropriation of \$28,278 (including \$19,222 General Fund and \$9,056 cash funds from the Unclaimed Property Trust Fund).**

Salary Survey and Senior Executive Service.

The Department uses this line item to pay for annual increases for salary survey and senior executive service positions. The Department requests has withdrawn its request for an appropriation for this

line. **Pursuant to Committee Policy, staff recommends appropriating \$0 for this line item in FY 2010-11.**

Performance-Based Pay Awards.

This line item funds awards relating to employee performance and evaluations. The Department has not requested an appropriation for this line item. **Pursuant to Committee Policy, staff recommends appropriating \$0 for this line item in FY 2010-11.**

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

This line item provides funding for the Department's share of the statewide costs for both risk management and property programs, as well as workers' compensation. The Department requests \$1,685 General Fund. This request includes continuation of the FY 2009-10 common policy supplementals that include a \$16 reduction due to reduced claims and administrative costs, a \$120 reduction from a reduction of liability, property, and workers' compensation volatility, and a \$523 base reduction proposed by the Department of Personnel and Administration (DPA). **Staff recommends an appropriation of \$1,685 General Fund**, which includes pending statewide decision items. If Committee action differs on the statewide decision items, staff will reflect Committee policy in the appropriation for this line item.

Operating Expenses.

This line item provides funding for supplies and materials for the Administration Division, as well as for certain services that are not covered by other line items such as capital outlay¹, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The most significant expenditure funded through this appropriation is for leasing Bloomberg terminals. The operating line also funds traditional operating expenses such as telephone, copying, postage and office supplies. Also included are professional development and job enhancement activities, such as books, dues and memberships to organizations and registration fees for seminars.

The 2009 Long Bill appropriated \$225,985 to this line for FY 2009-10. As part of the Governor's budget balancing proposal from August 25, 2009, the OSPB requested that the Department reduce its General Fund by 3.0 percent for FY 2009-10. The Department has requested a reduction of \$28,012 in Operating Expenses, to be accomplished by reducing publication costs in the Treasurer's Transparency Initiative; reducing, in agreement with the Governor's Office of OIT, expenditures relating to cyber security; elimination of a software subscription of little value in today's investment market; elimination of a one-time implementation fee; and miscellaneous reductions in office and printing supplies, conference/registrations fees, and travel.

¹ Capital outlay includes replacement of equipment, furniture, and other items that cost less than \$50,000, as well as building repair and remodeling costing less than \$15,000.

Staff recommends approval of an appropriation of \$197,988 General Fund. This recommendation includes an increase of \$15 General Fund for a pending statewide decision item for mail equipment upgrades. If Committee action differs on the statewide decision item, staff will reflect Committee policy in the appropriation for this line item.

Information Technology Asset Maintenance

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

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

Legal Services.

This line item provides funding for the Department to purchase legal services from the Department of Law. A Long Bill head note authorizes agencies to spend up to 10 percent of this appropriation for operating expenses, contractual services, and tuition for employee training. The Department requests funding for 575 hours of legal services with a corresponding appropriation of \$41,418 (including \$20,709 General Fund and \$20,709 cash funds from the Unclaimed Property Trust Fund). This represents a continuation level of funding.

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

Recent History: Legal Services Appropriations and Expenditures						
	Appropriations				<i>Percent Change</i>	Actual
	Long Bill	Supplemental	Final	Hours	<i>Mid-year</i>	Expenditures
FY 2003-04	20,061	79,186	99,247	1,632	394.7%	58,249
FY 2004-05	20,318	49,815	70,133	1,139	245.2%	70,133
FY 2005-06	21,268	15,324	36,592	576	72.1%	35,342
FY 2006-07	38,968	0	38,968	575	0.0%	38,700
FY 2007-08	41,418	0	41,418	575	0.0%	39,863
FY 2008-09	43,182	0	43,182	575	0.0%	39,411
FY 2009-10	43,344	0	43,344	575	0.0%	N/A

Although the Treasurer's staff is relatively small, the Treasurer's responsibilities involve a number of programs and funding mechanisms. It is important that the State Treasurer have access to quality, timely legal services. **Staff recommends providing funding sufficient to allow the State Treasurer to purchase a continuation level of 575 hours of legal services. The rate for these legal services is pending the approval of a Committee common policy.** Consistent with the request, half the funding for this line will come from the Unclaimed Property Trust Fund and the remainder will come from the General Fund. Staff will ultimately reflect Committee policy in the appropriation for this line item.

Purchase of Services from Computer Center.

This item provides funding for the Department's share of statewide computer services provided by the Governor's Office of Information Technology. The Department requests \$3,813 General Fund for computer services provided by the General Government Computer Center. This is the result of the Governor's Office of Information Technology reducing its billing to the Department by \$17,954. **Staff recommends an appropriation of \$3,813 General Fund,** which includes statewide decision items. If Committee action differs on the statewide decision item, staff will reflect Committee policy in the appropriation for this line item.

Capitol Complex Leased Space.

This line item is used to pay the Department of Personnel and Administration for the costs of maintaining state buildings that are part of the capitol complex. The Department requests a \$53,949 General Fund appropriation for the space that it occupies in the State Capitol Building. This request includes a reduction of \$1,005 for a DPA decision item to reduce the expenses bill for the Capitol Complex. **Staff recommends approving the funding for the square footage currently occupied by the Treasurer's Office, which corresponds to an appropriation of \$53,949 General Fund.** This recommendation includes the DPA decision item. If Committee action differs on the statewide decision item, staff will reflect Committee policy in the appropriation for this line item.

Charter School Facilities Financing Services

The Treasurer has several duties associated with charter school facility financing:

- ❑ A charter school may request that the Treasurer make direct payments of principal and interest on bonds issued on behalf of the school for the purpose of enhancing the ability of the school to obtain favorable financing terms [Section 22-30.5-406, C.R.S.]. The Treasurer is authorized to withhold, from the amount paid to the chartering district² for the state share of the district's total program funding, the amount of any direct payments made on behalf of the charter school plus any administrative costs associated with making such payments. Any administrative costs

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

withheld are to be deposited into the Charter School Financing Administrative Cash Fund. Moneys in this fund are continuously appropriated.

- ❑ Under the provisions of House Bill 03-1021, the Colorado Educational and Cultural Facilities Authority may issue bonds on behalf of qualified charter schools. Participating charter schools are required to annually pay .001 of the principal amount of the bonds outstanding (\$1 for every \$1,000 of principal) to the State Treasurer for deposit in the State Charter School Interest Savings Account (within the State Charter School Debt Reserve). The Treasurer is authorized to charge participating schools a fee to defray related direct and indirect costs. Such moneys are also to be deposited in the State Charter School Interest Savings Account within the State Charter School Debt Reserve Fund [Section 22-30.5-407 (3), C.R.S.]. Moneys in the State Charter School Debt Reserve Fund, including fees collected from schools, are continuously appropriated to the State Treasurer pursuant to Sections 22-30.5-407 (4) (a) and (a.5), C.R.S.

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

Discretionary Fund.

Pursuant to Section 24-9-105, C.R.S., five elected state officials receive annual appropriations for "expenditure in pursuance of official business as each elected official sees fit". Thus, subject to annual appropriation by the General Assembly, the Treasurer is to receive \$5,000 from the General Fund annually for this purpose. **Staff recommends the requested \$5,000 General Fund appropriation.**

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Staff recommends the following written request for information include the modifications shown in struck type and small capitals. The changes all relate to updating the information for the correct fiscal year.

- 1 Department of the Treasury, Administration** -- The State Treasurer is requested to submit an annual report to the Joint Budget Committee concerning the performance of the state's investments. The report should include comparisons to relevant benchmarks and a detailed discussion of the benchmarks. This report should be submitted as a part of the State Treasurer's annual budget request.
- 2 Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2009~~ 2010, information concerning expenditures related to the Department's bank services contract(s) which are paid through deductions from

interest earned on bank account balances. The State Treasurer is requested to include actual expenditures for FY ~~2008-09~~ 2009-10 as well as projected expenditures for FY ~~2009-10~~ 2010-11. The requested report should be submitted as part of the State Treasurer's annual budget request.

- 3 Department of the Treasury, Administration** -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2009~~ 2010, information concerning state revenues and expenditures related to the issuance of tax and revenue anticipation notes for school districts pursuant to Section 29-15-112, C.R.S. The State Treasurer is requested to include actual data for FY ~~2008-09~~ 2009-10, as well as projected data for FY ~~2010-11~~ 2011-12. The requested information should be submitted as part of the State Treasurer's annual budget request.
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(2) UNCLAIMED PROPERTY PROGRAM

Background Information: The Department administers the state unclaimed property program, as set forth in Article 13 of Title 38, C.R.S. (the "Unclaimed Property Act"). Under this program, the state takes possession of dormant or abandoned properties from a wide range of businesses and public institutions and tries to return the properties to their rightful owners. Generally, property is subject to the custody of the State as unclaimed property if the last-known address of the property owner (or the person entitled to the property) is in Colorado.

While the program originally targeted properties held by banks, savings and loans, and credit unions, it has been expanded to include properties held by insurance companies, public institutions, government agencies, public corporations or authorities, non-profit entities, hospitals, utilities, estates, trusts, or any other legal or commercial entity. Recovered items include uncashed checks and money orders, unclaimed stocks and securities, abandoned safety deposit box contents, dormant bank accounts, unclaimed utility deposits, unclaimed insurance benefits, unclaimed gift certificates, uncashed tax refunds, and intangible properties held by the courts, government agencies, and businesses. Since the program's inception, 27.6 percent of the property that the State has recovered has been returned to the rightful owner.

Pursuant to Section 38-13-116.5, C.R.S., moneys collected pursuant to the Unclaimed Property Program and any associated interest earnings are deposited in the Unclaimed Property Trust Fund. Moneys in the Trust Fund that are not used or held in reserve to pay claims are used (subject to appropriation) to pay the direct and indirect costs of administering the program [see Section 38-13-116.5 (2), C.R.S.]. Since the inception of the program, a total of \$171 million (45 percent) of Trust Fund revenues has been statutorily transferred to the General Fund, to the CoverColorado Program, and to support an industrial bank program in the mid-1990s. The following table provides an overview of the Unclaimed Property Trust Fund.

Unclaimed Property Trust Fund			
Description	FY 2007-08 Actual	FY 2008-09 Actual	Cumulative Since FY 1987-88
Total Revenues <1>	\$72,326,520	\$61,942,053	\$578,396,230
Total Claims Paid	22,814,003	24,724,118	166,029,730
<i>Claims Paid as Percent of Total Revenues</i>	<i>31.5%</i>	<i>39.9%</i>	<i>28.7%</i>
Reserve Amount Held for Future Claims	49,697,438	56,957,260	56,957,260
<i>Reserve as Percent of Total Revenues</i>	<i>68.7%</i>	<i>92.0%</i>	<i>9.8%</i>
Transfers <2>:			
General Fund	0	118,275,348	233,730,552
CoverColorado	19,426,146	31,174,631	103,839,803
Escheats	0	0	520,968
Industrial Banks	0	0	7,612,881
Total Transfers	19,426,146	149,449,979	345,704,204
<i>Transfers as Percent of Total Revenues</i>	<i>26.9%</i>	<i>241.3%</i>	<i>59.8%</i>
Funds Used for Administration of Unclaimed Property			
Program<3>	1,840,285	1,903,004	12,179,358
<i>Administrative Costs as Percent of Total Revenues</i>	<i>2.5%</i>	<i>3.1%</i>	<i>2.1%</i>

- <1> Excludes interest earnings as well as proceeds from the sale of securities that occurred in May 2005 pursuant to S.B. 04-256.
- <2> Excludes the transfer of \$51,651,019 to the Unclaimed Property Tourism Promotion Trust Fund, that occurred in FY 2004-05 pursuant to S.B. 04-256.
- <3> Prior to FY 2002-03, the Unclaimed Property Program was supported with General Fund appropriations.

In addition, pursuant to S.B. 04-256, the Department sells securities that have been held as unclaimed property for more than one year and deposits proceeds in the Unclaimed Property Tourism Promotion Trust Fund. The principal in this fund may only be used to pay claims, but the interest earnings are to be credited to the Colorado Travel and Tourism Promotion Fund.

Prior to FY 2001-02, the administration of the program was supported through General Fund appropriations. Pursuant to H.B. 02-1392, program expenses are now supported by principal in the Unclaimed Property Trust Fund. Prior to FY 2004-05, net cash generated by the Unclaimed Property Program was counted as state revenue under the Taxpayer's Bill of Rights (TABOR). Pursuant to S.B. 04-211, beginning in FY 2004-05, net cash generated by the program is no longer counted as state revenue under TABOR unless it is appropriated to cover the direct and indirect costs of administering the Unclaimed Property Program or expended from the Colorado Travel and Tourism Promotion Fund.

Personal Services

This line item provides funding for employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare taxes. This line item also provides funding for certain professional and temporary services. The following table shows the distribution of FTE's within the division.

Staffing Summary	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Approp.	Request	Recomm.
Program Director	1.0	1.0	1.0	1.0
Compliance Manager/LAN Administrator	1.0	1.0	1.0	1.0
Program Administration/Compliance	1.0	3.0	3.0	3.0
Program Administration/ Claims Processing	1.6	4.5	4.5	4.5
Program Administration/Safe Deposit Boxes	0.8	1.0	1.0	1.0
Auditors	3.0	4.0	4.0	4.0
Clerical	<u>0.8</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
TOTAL	9.2	15.5	15.5	15.5

The Department requests \$764,966 cash funds from the Unclaimed Property Trust Fund and 15.5 FTE. This includes a reduction to reflect a

Staff recommends an appropriation of \$781,790 cash funds from the Unclaimed Property Trust Fund and 15.5 FTE. The following table, which employs the common policies approved by the Committee, summarizes staff's calculation of the FY 2010-11 personal services recommendation for the Unclaimed Property Division. The difference between the Department's request and the staff recommendation is application of Committee policy regarding the amount of performance-based pay awards that is built into the base appropriation.

Personal Services - Unclaimed Property Division		
	Cash Funds	FTE
FY 2009-10 Long Bill	\$781,790	15.5
Furlough Adjustment	<u>(16,867)</u>	<u>0.0</u>
FY 2009-10 Total	764,923	15.5
Restore Furlough adjustment	<u>16,867</u>	<u>0.0</u>
Recommended Base Appropriation for FY 2010-11	781,790	15.5
Budget Amendment - 2.5% PERA Contribution Shift	<u>(16,824)</u>	<u>0.0</u>
Staff Recommendation: FY 2010-11	764,966	15.5

Staff recommends an appropriation of \$764,966 cash funds 15.5 FTE, contingent upon the passage of a bill that reduces the employer PERA contribution from 10.14 percent to 7.64 percent. If that bill does not become law, staff's recommendation is for a continuation appropriation of \$781,790. The cash funds source is the Unclaimed Property Trust Fund.

Operating Expenses

This line item provides funding for supplies and materials, as well as for certain services that are not covered by other line items such as capital outlay³, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. This line item funds the Unclaimed Property Division's operations. For FY 2010-11, the Department requests an appropriation of \$124,507 cash funds from the Unclaimed Property Trust Fund. The request includes a continuation amount of \$124,226 cash funds and \$281 cash funds associated with a statewide decision item upgrading mail equipment.

Staff recommends an appropriation of \$124,507 cash funds from the Unclaimed Property Trust Fund. The recommendation includes \$281 cash funds for the statewide decision item. If Committee action differs on the statewide decision item, staff will reflect Committee policy in the appropriation for this line item.

Promotion and Correspondence

This line item was first included as a separate line item in the FY 2006-07 Long Bill. The Department's promotional efforts are designed to notify owners of lost and forgotten assets held in trust by the State. Pursuant to Section 38-13-111 (7), C.R.S., the Administrator of the Unclaimed Property Program may spend up to 2.0 percent of the previous year's paid claims for publication and necessary correspondence (e.g., sending a notice to the last known address of each person who appears to be entitled to property valued at \$50 or more). Based on claims paid in FY 2008-09 of \$24.7 million, the Department is statutorily allowed to spend up to \$494,000 for this purpose in the current fiscal year. The Department is requesting a continuation appropriation of \$200,000 cash funds.

Staff recommends a continuation appropriation of \$200,000 cash funds from the Unclaimed Property Trust Fund.

Leased Space.

This line item provides funding for lease of space at 1580 Logan Street. Pursuant to the terms of the lease, the Department requests \$51,990 cash funds, an increase of \$1,733 built into the lease for FY 2010-11 for the 3,466 square feet it occupies (\$15.00 per square foot). The fund source is the Unclaimed Property Trust Fund. **Staff recommends approving the request.**

³ Capital outlay includes replacement of equipment, furniture, and other items that cost less than \$50,000, as well as building repair and remodeling costing less than \$15,000.

Contract Auditor Services

The Treasury Department contracts with auditing firms that examine the records of businesses located in other states in an effort to find unclaimed property belonging to Colorado citizens. The costs associated with these services are essentially paid on a contingency fee basis, with the State paying 12 percent of the value of any Colorado property identified. Section 38-13-116.5 (2), C.R.S., specifies that amounts spent directly and indirectly to administer the unclaimed property program shall be appropriated by the General Assembly and shall count toward the state's TABOR limit. This line item thus reflects the payments for contract auditor services.

Pursuant to H.B. 09-1301, moneys for contract auditors services are now continuously appropriated. The Department has requested funding for this line of \$800,000. **Staff recommends reflecting the Department's request of \$800,000 cash funds from the Unclaimed Property Trust Fund.**

(3) SPECIAL PURPOSE

Senior Citizen and Disabled Veteran Property Tax Exemption.

This line item provides funding to reimburse local governments for property taxes foregone as a result of the Senior Citizen and Disabled Veteran Property Tax Exemption. The original exemption, authorized in Section 3.5 of Article X of the State Constitution, approved by voters in 2000, and implemented in Sections 39-3-201 to 208, C.R.S., grants a property tax exemption to qualifying⁴ senior citizens equal to 50 percent of the first \$200,000 of residential property value. The State Treasurer is required to reimburse local governments for the resulting lost property tax revenues. Such payments are made from the General Fund, but are not subject to the statutory limit on General Fund appropriations pursuant to Article X, Section 3.5 (3) of the State Constitution:

"... Payments made from the state general fund to compensate local governmental entities for property tax revenues lost as a result of the property tax exemption provided for in this section shall not be subject to any statutory limitation on general fund appropriations because the enactment of this section by the people of Colorado constitutes voter approval of a weakening of any such limitation."

⁴Qualifications include: (a) the residential property must be owner-occupied and used as the primary residence; (b) the owner-occupier must be sixty-five years of age or older as of the assessment date; and (c) the owner-occupier must have owned and occupied the property as his or her primary residence for the ten years immediately preceding the assessment date (or be the spouse or surviving spouse of an owner-occupier who previously qualified for a property tax exemption for the same residential real property).

Please note that similar to the state contribution for local fire and police pension plans, the costs associated with the exemption are treated outside of the six percent limit and are not built into the funding base used to calculate the limit for subsequent fiscal years.

The original constitutional provision also specified that voter approval of the measure constituted a voter-approved revenue change, thereby allowing the TABOR limit for FY 2001-02 to increase by \$44,123,604 and that such an amount should be included for the purpose of calculating subsequent fiscal year spending limits. However, by the time the State was required to pay the first year reimbursement in April 2003, state revenues no longer exceeded the TABOR limit. Thus, this measure never increased the State's TABOR limit.

The Constitution also authorizes the General Assembly to raise or lower the maximum amount of actual value that is exempt from taxation. For tax year 2002, the first year this exemption was made available, the exemption was limited to the first \$200,000 of actual residence value. The General Assembly lowered this amount from \$200,000 to \$0 for property tax years 2003, 2004, and 2005, thereby eliminating the associated state expenditures for fiscal years 2003-04, 2004-05, and 2005-06. State payments thus resumed in FY 2006-07.

In the 2006 Session, the General Assembly adopted S.C.R. 06-001 and referred a measure to the voters to extend the Homestead exemption to veterans who are 100 percent permanently disabled due to a service-connected disability. The General Assembly adopted H.B. 07-1251 during the 2007 Session to implement this constitutional change. This expansion is effective for property tax years commencing on or after January 1, 2007.

Estimated expenditures are included in the Department of Treasury's budget for informational purposes. The FY 2008-09 Treasury budget request reflects \$86.2 million for this purpose. Based on the Legislative Council Staff December 2009 revenue forecast and current statute, **staff recommends reflecting 96.4 million in the FY 2010-11 Long Bill. Staff also requests permission to update this figure, if necessary, based on the March 2008 Legislative Council Staff revenue forecast when the Long Bill is finalized.** The following table provides historical data related to the number of exemptions granted and the valuation exempted.

Senior Citizen and Disabled Veterans Property Tax Exemption				
Funding History				
	FY 06-07	FY 07-08	FY 08-09	FY 2009-10
	Actual	Actual	Actual	Approp.<a>
County Reimbursement for Tax Exemption	\$74,232,895	\$79,138,173	\$83,965,186	\$1,400,000
Number of Exemptions Granted	146,836	157,350	163,691	N/A
Average Property Tax Exempted	\$506	\$503	\$513	N/A
Percent of Residences Granted Exemption	8.5%	8.8%	9.2%	N/A
Actual Value Exempted	\$11.74 billion	\$12.91 billion	\$13.69 billion	N/A
Assessed Value Exempted	\$0.93 billion	1.04 billion	\$1.09 billion	N/A

<a> S.B. 09-276 reduced the Senior Citizen Property Tax Exemption to \$0. The Disabled Veteran Property Tax Exemption was left intact, with an estimated \$1.4 million appropriation remaining.

The Governor has proposed legislation that would reduce the Senior Citizen Property Tax Exemption to \$0 for calendar years 2011 and 2012, reducing the expenditure for this line by approximately \$95 million. Should the bill become law, the bill will reflect the reduced appropriation for this line item.

CoverColorado

Background Information: Colorado does not require insurance companies that offer individual health coverage to accept everyone who applies, regardless of their health status. The General Assembly created CoverColorado in 1990 to offer health insurance to those "high risk" individuals who are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Although CoverColorado premiums are currently set at 140 percent of the industry average⁵, premium revenues cover slightly less than 50 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

⁵ This is a reduction from recent years. Prior to January 1, 2007, premiums had been set at 150 percent of the industry average. The CoverColorado board reduced premiums to attract additional participants.

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	34,668,993	21,402,805	61.7%	(13,266,188)	6,268,704	(6,997,484)
05-06	36,786,073	23,878,912	65.0%	(12,907,161)	14,230,799	1,323,638
06-07	47,360,495	24,406,715	51.5%	(22,953,780)	18,924,535	(4,029,245)
07-08	59,467,683	29,000,498	48.8%	(30,467,185)	39,436,662	8,969,477
08-09	76,831,929	37,206,807	48.4%	(39,625,122)	50,965,271	11,340,149
Projections:						
09-10 	102,093,224	47,439,053	46.5%	(54,654,171)	62,833,149	8,178,978
10-11 	132,826,816	61,267,028	46.1%	(71,559,788)	72,962,648	1,402,860
11-12 	169,208,025	78,235,282	46.2%	(90,972,743)	90,972,743	0
12-13 	207,567,302	97,008,035	46.7%	(110,559,267)	110,559,267	0

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

 Projections from CoverColorado and reflects "baseline" 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.

While CoverColorado has received moneys transferred from the Unclaimed Property Trust Fund since FY 1993-94, S.B. 04-211 changed state funding for CoverColorado, requiring the Treasury Department to transmit both interest and principal from the Unclaimed Property Trust Fund to CoverColorado in order to cover expenses of the program that are not met by premiums paid by those insured. Specifically, if necessary, the Treasury is required to transmit an amount equal to the principal and interest of the Unclaimed Property Trust Fund, less: (1) claims paid and the amount estimated to be necessary to pay anticipated future claims; and (2) the costs of publishing names of unclaimed property owners and mailing notices to certain individuals whose names appear on the

list. [Section 38-13-116.5, C.R.S.]. Any such transmittals are not counted as state revenue under TABOR as CoverColorado is a special purpose authority [as defined in Section 24-77-102, C.R.S.].

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

The following table details the actual expenditures and appropriations for this line since FY 2005-06.

CoverColorado Expenditures and Appropriations						
Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Expenditure / Appropriation	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Appropriated</u>	<u>Requested</u>
	\$7,232,579	\$9,307,646	\$19,426,146	\$31,174,631	\$27,000,000	\$34,000,000

The Department 's budget request includes an informational appropriation of \$34,000,000 to reflect anticipated transfers to CoverColorado in FY 2010-11. Staff recommends reflecting the amount requested. CoverColorado is projecting revenues totaling \$132.8 million in FY 2010-11, including \$61.3 million in premiums paid by enrollees, \$34 million from the Unclaimed Property Trust Fund, \$22.3 million from other sources, including carrier assessments, insurance premium tax credits and interest earnings.

Fire and Police Pension Association - Old Hire Plans.

Background Information: Section 31-30.5-307, C.R.S., requires the State to pay part of the unfunded liability of retirement plans that cover police and firefighters who were hired before 1978 ("old hire" pension plans). The legislation that originally established a program to provide partial state funding for old hire pension plans clearly stated that the state's financial assistance was temporary. Specifically, S.B. 79-79 included the following language in the legislative declaration:

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

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

Since 1980, the State has contributed a total of \$515 million to 110 local police and fire departments. The state contribution for old hire pension plans is determined by statute and consists of General Fund revenues related to insurance company premium taxes. The amount of the annual state contribution to FPPA is reflected as a General Fund appropriation in the Treasury section of the annual Long Bill for informational purposes as required by Section 31-30.5-307 (3), C.R.S. For FY 2005-06 through 2007-08, this amount has been reflected as coming from the General Fund Exempt Account. Such moneys are transferred pursuant to Section 31-30.5-307 (2), C.R.S., and are not deemed to be an appropriation subject to the statutory 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 plans⁶.

Three times 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 2010-11, whichever came first. Prior to S.B. 95-228, it was anticipated that state funding would continue through 2024. The earlier end-date was intended to coincide with the point at which all "old hire" employees would be retired.

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

The 2009 General Assembly passed S.B. 09-227 which suspended the contribution for FY 2008-09, FY 2009-10, and FY 2010-11. In addition, the bill extended the repayment deadline until April 2015. Under current statute, no contribution is required for FY 2010-11.

The table below shows the payment required using the latest actuarial assumptions.

⁶ 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.

Fire and Police Pension Association "Old Hire" Pension Plans	
State Assistance Payment Schedule	
Fiscal Year	Proposed Payment Schedule (per S.B. 08-227)
FY 2008-09 Actual	0
FY 2009-10 Appropriated	0
FY 2010-11 Recommended	0
FY 2011-12 Projected	25,321,079
FY 2012-13 Projected	25,321,079
FY 2013-14 Projected	25,321,079
FY 2014-15 Projected	<u>83,853,854</u>
Total Remaining Payments	\$159,817,091

The Department's request includes an appropriation \$0 for FY 2010-11. **Staff recommends an appropriation of \$0 General Fund Exempt.**

Highway Users Tax Fund - County Payments.

The Highway Users Tax Fund (HUTF) primarily consists of revenue from motor fuel excise taxes, motor vehicle license and registration fees, and drivers' license fees. The HUTF also receives court fines and fees related to highway traffic infractions, passenger-mile taxes on vehicles, revenue from the sale of abandoned vehicles; and interest income. HUTF revenues are included in fiscal year spending for purposes of TABOR. Pursuant to Section 43-4-205, C.R.S., HUTF revenues are apportioned monthly by the State Treasurer among the Department of Transportation (the State Highway Fund), counties, and municipalities. These distributions occur *after* "off-the-top" appropriations to the Department of Public Safety and the Department of Revenue.

This line item provides an estimate of the amount that will be distributed to counties from the HUTF. Counties are required to use such funds for the construction, engineering, reconstruction, maintenance, repair, equipment, improvement, and administration⁷ of the county highway systems and any other public highways. The Treasurer's budget request included estimated distributions to counties totaling \$164,633,602 in FY 2010-11. **Staff recommends including a cash funds appropriation of \$164,633,602** in the Long Bill for informational purposes. Note that prior to FY 2008-09 HUTF funds were classified as cash funds exempt. With the transition to reappropriated funds, HUTF funds are now classified as cash funds.

⁷ Pursuant to Section 43-4-207 (1), C.R.S., this amount is limited to 5.0 percent of each county's share of the funds available.

Highway Users Tax Fund - Municipality Payments.

This line item provides an estimate of the amount that will be distributed to municipalities (including the City and County of Denver and the City and County of Broomfield). Cities and incorporated towns are required to use such funds for the construction, engineering, reconstruction, maintenance, repair, equipment, improvement, and administration⁸ of the system of city/town streets or any public highways located in the city/town. The Treasurer's budget request included estimated distributions to counties totaling \$107,616,971 in FY 2010-11. **Staff recommends including a cash funds appropriation of \$107,616,971** in the Long Bill for informational purposes. Note that prior to FY 2008-09 HUTF funds were classified as cash funds exempt. With the transition to reappropriated funds, HUTF funds are now classified as cash funds.

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

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

- 4 Department of the Treasury, Special Purpose, CoverColorado** -- Pursuant to Section 10-8-530 (4) (c) (I), C.R.S., the Executive Director of CoverColorado is required to report annually to the Joint Budget Committee concerning actual program receipts and expenditures. In addition, the Department is requested to work with the Executive Director to provide reports to the Joint Budget Committee by October 1, ~~2008~~ 2009, and by February 1, ~~2009~~ 2010, that contain enrollment, revenue, expenditure, and assessment projections for the CoverColorado program for ~~FY 2008-09~~ and FY 2010-11 AND FY 2010-11.

- 5 Department of the Treasury, Special Purpose, Fire and Police Pension Association - Old Hire Plans** -- The Fire and Police Pension Association is requested to submit an annual report of operations and investments for state-supported programs to the Joint Budget Committee by October 1, ~~2008~~ 2009. This report shall include the following: (1) the amount of additional funding the State is required to transfer to the Association pursuant to Section 31-30.5-307 (5) (b), C.R.S., assuming such payment is made on April 30, 2012, along with a description of the actuarial assumptions used to calculate this amount; (2) the current estimated unfunded liability for each local plan still eligible to receive state assistance; and (3) the projected remaining funded period for each local plan still eligible to receive state assistance.

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

BUDGET BALANCING OPTIONS

Suspension of Senior Citizen and Disabled Veterans Property Tax Exemption

The Governor has proposed as part of his budget balancing package the temporary suspension of the Senior Citizen Property Tax Exemption for FY 2010-11 and FY 2011-12. Based on the latest Legislative Council's staff economic forecast, the State is estimated to save \$95 million General Fund in FY 2010-11 and \$101 million General Fund in FY 2011-12 if this proposal is adopted. According to the Department of Local Affairs, Division of Property Taxation, about 165,000 exemptions were granted for the property tax year 2008, out of 1.8 million residential properties statewide. This means about 9.2 percent of residential properties receive the exemption. The average value of the exemption to a taxpayer is about \$500 per year. The state expenditure is required to reimburse local governments for the foregone property taxes

During the last economic downturn, the exemption was temporarily suspended for three fiscal years (2003-04, 2004-05, and 2005-06) to help the state overcome that budget crisis. According to Article X, Section 3.5 (2), of the Colorado Constitution, the General Assembly may raise or lower the maximum amount of the actual value of the residential real property of which 50 percent shall be exempt. In the 2009 session, the General Assembly passed S.B. 09-276, which suspended the senior citizen exemption for the 2010 property tax year, which corresponds to the state's FY 2010-11. The disabled veterans exemption was retained. The savings to the state was estimated at \$90.4 million.

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

Staff recommends the Joint Budget Committee consider legislation that would suspend the Senior Citizen and Disabled Veterans Property Tax Exemption for FY 2010-11 through FY 2011-12. This bill will save the State approximately \$95 million in FY 2010-11 and \$101 million in FY 2011-12.