

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE



FY 2008-09 STAFF FIGURE SETTING:
STATE TREASURER'S OFFICE

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

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**STATE TREASURER'S OFFICE
FIGURE SETTING FOR FY 2008-09**

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Department of Treasury

	FY 2005-06	FY 2006-07	FY 2007-08		FY 2008-09		
	Actual	Actual	Appropriation	Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests

For FY 2008-09 the JBC approved eliminating the cash funds exempt category of appropriations and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. The JBC staff recommendation for FY 2008-09 is expressed in both the old format and the new format. Moneys that were previously categorized as cash funds exempt that are not reappropriated funds are characterized in the new budget format as cash funds, regardless of the TABOR status of the funds.

DEPARTMENT OF THE TREASURY
State Treasurer: Cary Kennedy

NOTE: For purposes of providing comparable figures, line items are reflected in the order they appear in the FY 2006-07 and FY 2007-08 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

Personal Services	1,126,911	1,137,681	1,179,635	1,239,081	1,236,712	1,236,712	DI #1, BA #1
FTE	<u>15.6</u>	<u>14.8</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	
General Fund	409,164	414,243	422,146	481,592	479,223	479,223	
FTE	15.6	14.8	16.0	16.0	16.0	16.0	
Cash Funds (Treasury transactions fee) a/	717,747	723,438	757,489	757,489	757,489	757,489	
Health, Life, and Dental	<u>75,445</u>	<u>89,148</u>	<u>122,282</u>	<u>123,420</u>	<u>141,369</u>	<u>141,369</u>	DI #4,5
General Fund	52,243	89,148	82,212	78,891	82,470	82,470	
Cash Funds (Unclaimed Property Trust Fund)	23,202	0	40,070	44,529	58,899	58,899	
Short-term Disability	<u>2,115</u>	<u>1,586</u>	<u>2,043</u>	<u>2,206</u>	<u>2,119</u>	<u>2,119</u>	DI #4,5
General Fund	1,480	1,586	1,378	1,488	1,417	1,417	
Cash Funds (Unclaimed Property Trust Fund)	635	0	665	718	702	702	
S.B. 04-257 Amortization Equalization Disbursement	<u>3,083</u>	<u>10,283</u>	<u>18,718</u>	<u>27,861</u>	<u>27,290</u>	<u>27,290</u>	DI #4,5, BA #1
General Fund	2,158	10,283	12,583	18,318	17,071	17,071	
Cash Funds (Unclaimed Property Trust Fund)	925	0	6,135	9,543	10,219	10,219	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	n/a	<u>n/a</u>	<u>3,760</u>	<u>8,903</u>	<u>12,262</u>	<u>12,262</u>	DI #4,5, BA #1
General Fund			2,482	5,856	7,719	7,719	
Cash Funds (Unclaimed Property Trust Fund)			1,278	3,047	4,543	4,543	

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	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests
Salary Survey and Senior Executive Service	<u>45,304</u>	<u>41,641</u>	<u>49,868</u>	<u>61,925</u>	<u>61,602</u>	<u>61,602</u>	
General Fund	36,265	25,946	32,825	41,475	41,621	41,621	
Cash Funds (Unclaimed Property Trust Fund)	9,039	15,695	17,043	20,450	19,981	19,981	
Performance-based Pay Awards	<u>0</u>	<u>0</u>	<u>18,820</u>	<u>26,147</u>	<u>19,469</u>	<u>19,469</u>	
General Fund	0	0	11,839	17,639	12,704	12,704	
Cash Funds (Unclaimed Property Trust Fund)	0	0	6,981	8,508	6,765	6,765	
Operating Expenses - GF	121,593	107,724	116,807 S	266,586	266,586	266,586	DI #1, 3, BA #1, 2, 3
Information Technology Asset Maintenance	<u>12,568</u>	<u>11,881</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	
General Fund	7,765	11,881	6,284	6,284	6,284	6,284	
Cash Funds (Unclaimed Property Trust Fund)	4,803	0	6,284	6,284	6,284	6,284	
Legal Services	<u>35,342</u>	<u>38,700</u>	<u>41,418</u>	<u>41,418</u>	<u>Pending</u>	<u>Pending</u>	
General Fund	16,962	38,700	20,709	20,709			
Cash Funds (Unclaimed Property Trust Fund)	18,380	0	20,709	20,709			
Hours	575.5	599.0	575.0	575.0	575.0	575.0	
Purchase of Services from Computer Center - GF	852	8,645	4,937 S	19,613	Pending	Pending	BA NP-2
Workers' Compensation and Payment to Risk Management and Property Funds - GF	1,288	50,011	1,885 S	2,439	Pending	Pending	BA NP-3
Capitol Complex Leased Space - GF	46,263	47,806	55,201 S	54,836	Pending	Pending	BA NP-1
Charter School Facilities Financing Services b/	<u>790</u>	<u>1,901</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	
Cash Funds	790	1,901	5,000	5,000	5,000	5,000	
Cash Funds Exempt	0	0	0	0	0	0	
Discretionary Fund - GF	3,460	3,117	5,000	5,000	5,000	5,000	
Subtotal - Administration	1,475,014	1,550,124	1,637,942	1,897,003	1,789,977	1,789,977	
FTE	<u>15.6</u>	<u>14.8</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	
General Fund	699,493	809,090	776,288	1,020,726	920,095	920,095	
FTE	15.6	14.8	16.0	16.0	16.0	16.0	
Cash Funds	775,521	741,034	861,654	876,277	869,882	869,882	

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	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests

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

Personal Services - CF	635,557	649,313	666,851	740,435	738,000	738,000	DI #4, 5
FTE	8.3	8.8	10.0	12.0	13.5	13.5	
Operating Expenses - CF	236,657	51,086	116,417	120,611	120,611	120,611	DI #4
Promotion and Correspondence - CF		145,789	150,296	150,296	150,296	150,296	
Leased Space - CF	77,942	55,477	46,791	48,524	48,524	48,524	
Contract Auditor Services - CF	800,000	800,000	800,000	800,000	800,000	800,000	
Subtotal: Unclaimed Property Program - CF	1,750,156	1,701,665	1,780,355	1,859,866	1,857,431	1,857,431	
FTE	8.3	8.8	10.0	12.0	13.5	13.5	

(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	74,232,895	78,600,000	77,200,000	a/ 86,200,000	86,200,000	a/
CoverColorado - CFE/CF (Unclaimed Property Trust Fund)	7,232,579	9,307,646	18,385,278	48,722,043	b/ 48,772,043	48,772,043	
Fire and Police Pension Association (FPPA) - Old Hire Plans - GFE	25,321,079	34,774,141	34,777,172	34,777,172	34,777,172	34,777,172	
Highway Users Tax Fund - County Payments - CFE/ CF	159,784,050	159,769,834	158,179,000	163,408,475	b/ 157,500,000	157,500,000	

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Department of Treasury

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09			
	Actual	Actual	Appropriation	Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests
Highway Users Tax Fund - Municipality Payments - CFE/CF	104,524,983	103,105,022	104,473,900	106,401,979	b/ 104,392,700	104,392,700	
Subtotal - Special Purpose	<u>296,862,691</u>	<u>381,189,538</u>	<u>394,415,350</u>	<u>430,509,669</u>	<u>431,641,915</u>	<u>431,641,915</u>	
General Fund	0	74,232,895	78,600,000	77,200,000	86,200,000	86,200,000	
General Fund Exempt	25,321,079	34,774,141	34,777,172	34,777,172	34,777,172	34,777,172	
Cash Funds Exempt/Cash Funds	271,541,612	272,182,502	281,038,178	318,532,497	310,664,743	310,664,743	

a/ The request mirrors the amount reflected in the Legislative Council Staff's September 2007 revenue forecast. Recommendation reflects Legislative Council Staff's December 2007 forecast.

b/ These amounts are classified as cash funds rather than cash funds exempt under the new format. Highway Users Tax Fund estimates are based on Legislative Council's December 2007 revenue forecast.

TOTAL - Department of Treasury	300,087,861	384,441,327	397,833,647	434,266,538	435,289,323	435,289,323	
FTE	<u>23.9</u>	<u>23.6</u>	<u>26.0</u>	<u>28.0</u>	<u>29.5</u>	<u>29.5</u>	
General Fund	699,493	75,041,985	79,376,288	78,220,726	87,120,095	87,120,095	
FTE	15.6	14.8	16.0	16.0	16.0	16.0	
General Fund Exempt	25,321,079	34,774,141	34,777,172	34,777,172	34,777,172	34,777,172	
Cash Funds	2,525,677	2,442,699	2,642,009	2,736,143	2,727,313	313,392,056	
FTE	8.3	8.8	10.0	12.0	13.5	13.5	
Cash Funds Exempt/RF	271,541,612	272,182,502	281,038,178	318,532,497	310,664,743	0	

							% Change
General Fund (GF) subject to six percent appropriations limit :							
Total GF/GFE appropriations	26,020,572	109,816,126	114,153,460	112,997,898	121,897,267	121,897,267	6.8%
Less: GF/GFE not subject to six percent limit	<u>25,321,079</u>	<u>109,007,036</u>	<u>113,377,172</u>	<u>111,977,172</u>	<u>120,977,172</u>	<u>120,977,172</u>	6.7%
GF subject to six percent limit	699,493	809,090	776,288	1,020,726	920,095	920,095	18.5%

**STATE TREASURER'S OFFICE
FIGURE SETTING FOR FY 2008-09**

JBC WORKING PAPERS - DECISIONS SUBJECT TO CHANGE

The following table provides a summary of the staff recommendations included in this packet.

Summary of Staff Recommendations in this Packet						
Description	Total Funds	General Fund	Cash Funds	Cash Fund Exempt	RF	FTE
FY 2007-08 Appropriation	\$397,833,647	\$114,153,460	\$2,642,009	\$281,038,178	\$0	26.0
Recommended Changes from FY 2007-08 Appropriation:						
Exchange CFE for RF	0	0	281,038,178	(281,038,178)	0	
Anticipated increase in transfer to CoverColorado (compared to FY 07-08 appropriation)	30,386,765	0	30,386,765	0	0	0.0
Change in Estimated Senior Citizen Property Tax Exemption* (compared to FY 07-08 appropriation)	7,600,000	7,600,000	0	0	0	0.0
Increase Associated with Budget Amendment #1: Cyber Security	69,339	69,339	0	0	0	0.0
Increases Associated with Decision Item #1 (Transparency Initiative)	46,575	46,575	0	0	0	0.0
Increase associated with Decision Item #3: BondEdge Software	47,188	47,188	0	0	0	0.0
Increases associated with Decision Item #4: Unclaimed Property Audit Intern	39,721	0	39,721	0	0	1.0
Increases associated with Decision Item #5: Unclaimed Property Administrative Assistant	21,908	0	21,908	0	0	2.5
Decrease in HUTF distributions (compared to FY 07-08 approp.)	(760,200)	0	(760,200)	0	0	0.0
Other	4,380	(19,295)	23,675	0	0	0.0
Total FY 2008-09						
Staff Recommendation**	\$435,289,323	\$121,897,267	\$313,392,056	\$0	\$0	29.5
\$ Change from prior year	\$37,455,676	\$7,743,807	\$310,750,047	(\$281,038,178)	\$0	3.5
% Change from prior year	9.4%	6.8%	11761.9%	(100.0)%	n/a	13.5%

* These amounts are not subject to the six percent limit on General Fund appropriations.

** Excludes funding for several pending line items.

(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 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 2008-09, currently \$1.17, will be established at the start of the fiscal year; it will equal the FY 2008-09 appropriation for the Administration Division divided by the total number of cash transactions conducted by the Treasury during the prior year (FY 2007-08), including transactions conducted on behalf of funds that don't pay the fee. The amount paid by an "eligible" fund during FY 2008-09 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 2007-08).

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. Positions funded through this line item include the Treasurer, the Deputy Treasurer, one manager, eleven professionals, and two administrative positions.

Staffing Summary	FY 2006-07	FY 2007-08	FY 2008-09	
	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	1.0	1.0	1.0	1.0
Controller / Accountants	6.8	6.9	7.0	7.0
Administrative Assistants	<u>1.8</u>	<u>1.9</u>	<u>2.0</u>	<u>2.0</u>
TOTAL	15.6	15.8	16.0	16.0

The Department requests \$1,239,081 (\$481,592 General Fund and \$757,489 cash funds from Treasury transaction fees), an increase of \$59,446 over the FY 2007-08 appropriation. The Department's November request included two decision items affecting the Personal Services line, though one of those items was withdrawn and replaced with a budget amendment that does not affect personal services.

Staff recommends an appropriation of \$1,236,712 (consisting of \$479,223 General Fund and \$757,489 cash funds) and 16.0 FTE. The reduction from the Department's request is due to Committee common policies for performance-based pay. Staff believes that a 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 source is the Treasury transactions fee.

The following table, which employs the common policy approved by the Committee, summarizes staff's calculation of the FY 2008-09 personal services recommendation for the Administration Division.

Personal Services - Option 8 Calculation for the Administration Division		
	Total	FTE
FY 2007-08 Long Bill Appropriation for Personal Services	\$1,179,635	16.0
+ Special Bills and Supplemental Appropriations for Personal Services	<u>0</u>	<u>0.0</u>
= FY 2007-08 Total Personal Services Appropriation	1,179,635	16.0
+ FY 2007-08 Performance-based Pay Awards*	9,471	
+ FY 2007-08 Salary Survey	<u>32,825</u>	
<i>Continuation-Level Appropriation for FY 2008-09</i>	1,221,931	16.0
+ Decision Item #1 (Transparency Initiative)	14,781	0.0
+ Decision Item #2 (withdrawn and replaced by Budget Amendment #1)	0	0.0
= Recommendation for FY 2008-09	<u>1,236,712</u>	16.0
- CF (from transactions fee)	757,489	
= GF (remainder)	479,223	

* Per Committee policy, this calculation includes 80 percent of the appropriated FY 2007-08 Performance-based Pay Awards as part of the base for calculation of the FY 2008-09 personal services line.

The remaining decision item affecting the Personal Services line is discussed below.

DECISION ITEM #1: TRANSPARENCY INITIATIVE

The Department is requesting \$46,575 General Fund, split between the Administration Personal Services (\$14,781) and Operating Expenses (\$31,794) lines for the Treasurer's transparency initiative. The initiative is meant to improve the transparency of the State's finances and increase public awareness and understanding of the State's use of tax dollars. The request would allow the Department to: 1) continue publication of the State Taxpayer Accountability Report, first published in 2007, 2) publish additional electronic and printed materials related to state finances, and 3) update and upgrade the Department's website. The personal services portion of the request would provide for contract services to update the Department's website.

The Treasurer began the transparency initiative shortly after taking office in 2007. The first edition of the STAR report was published in collaboration with the Governor's Office and the Department of Personnel. The collaborative effort allowed for publication of the first edition without additional funding. In late 2007, the Department launched a new website that provides access to a variety of

reports on the State's finances.¹ While that work was done within the Department's existing resources, the Department is seeking additional funding to allow the work to continue.

The FY 2008-09 request, described as "phase II" of the initiative, is intended to build on the earlier efforts. Specifically, the request would allow the Department to:

- continue annual publication of the STAR report, providing information on the State's overall finances (including revenues, expenditures, demographics and their impact on finances, etc.), in addition to other new materials related to State finances; and
- develop an interactive website to provide additional financial information. The planned website would include two interactive components. First, the site would offer "taxpayer profiles" based on a resident's zipcode and income level that would estimate how that taxpayer's dollars were spent. Second, the site would provide information on the distribution of state and federal funds to local governments.

Staff recommends approving the request. Staff believes the initiative represents a constructive step toward increasing the transparency of state finances for Colorado's taxpayers, and the Department has experienced significant demand for the first edition of the STAR report. The recommended funding, by line item, is shown in the table below.

Funding Breakdown for DI #1, Transparency Initiative		
Line Item	Request	Staff Recommendation
Admin Personal Services	14,781	14,781
Admin Operating Expenses	31,794	31,794
Total	46,575	46,575

DECISION ITEM #2: WITHDRAWN AND REPLACED BY BUDGET AMENDMENT #1

The November request included \$98,338 General Fund and 1.0 FTE for decision item #2. The Department withdrew that request and replaced it with budget amendment #1 (discussed in the operating expenses section of this paper).

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. Per the December 2007 statewide update for Health, Life and Dental, the Department is requesting \$129,589 (including \$82,470 General Fund and \$47,119 cash funds) for FY 2008-09, an increase of \$6,169

¹The new website is available at: <http://www.colorado.gov/treasury/>

above the November request. 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 will be paid from the Unclaimed Property Trust Fund to support the Unclaimed Property Division. **Staff recommends a total appropriation of \$141,369 (including \$82,470 General Fund and \$58,899 cash funds from the Unclaimed Property Trust Fund).** Staff recommends the increase above the Department's request to account for additional FTE associated with decision items 4 (2.5 FTE) and 5 (1.0 FTE), discussed under the Unclaimed Property Personal Services line. Staff recommendation provides Health, Life and Dental benefits for 2.0 additional FTE, based on average per-employee costs for Treasury. The recommendation would require the Department to absorb Health, Life and Dental costs for 1.5 additional FTE in FY 2008-09.

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 \$2,206 (including \$1,488 General Fund and \$718 cash funds) for short-term disability insurance for FY 2008-09. **Staff recommends a total appropriation of \$2,119 (including \$1,417 General Fund and \$702 cash funds from the Unclaimed Property Trust Fund), which corresponds to Committee common policy (0.13 percent of base salaries).**

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 \$27,861 (including \$18,318 General Fund and \$9,543 cash funds). **Pursuant to Committee policy (1.4 percent of employees' base salaries for CY 2008 and 1.8 percent of employees' base salaries for CY 2009), staff recommends a total appropriation of \$27,290 (including \$17,071 General Fund and \$10,129 cash funds from the Unclaimed Property Trust Fund).** The recommendation includes \$1,581 cash funds from the Unclaimed Property Trust Fund associated with the additional FTE recommended in decision items #4 (\$1,012) and #5 (\$569), discussed under the Unclaimed Property Personal Services line.

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 \$8,903 (including \$5,856 General Fund and \$3,047 cash funds). **Pursuant to Committee policy (0.5 percent of employees' base salaries for CY 2008 and 1.0 percent of employees' base salaries in CY 2009)), staff recommends a total appropriation of \$12,262 (including \$7,719 General Fund and \$4,453 cash funds from the Unclaimed Property Trust Fund).** The recommendation includes \$494 cash funds from the Unclaimed Property Trust Fund associated with the additional FTE recommended in decision items #4 (\$316) and #5 (\$178), discussed under the Unclaimed Property Personal Services line.

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 \$61,925 (including \$41,475 General Fund and \$20,450 cash funds) for salary survey increases. **Pursuant to Committee Policy, staff recommends a total appropriation of \$61,602 (including \$41,621 General Fund and \$19,981 cash funds from the Unclaimed Property Trust Fund).**

Performance-Based Pay Awards. This line item funds awards relating to employee performance and evaluations. The Department requests a total of \$26,147 for FY 2008-09 (including \$17,639 General Fund and \$8,508 cash funds from the Unclaimed Property Trust Fund). **Pursuant to Committee Policy, staff recommends a total appropriation of \$19,469 (including \$12,704 General Fund and \$6,765 cash funds from the Unclaimed Property Trust Fund).**

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 outlay², utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The most significant expenditure funded through this appropriation is for leasing Bloomberg terminals (currently \$63,540 per year). 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 Department requests \$266,586 General Fund for operating expenses. The Department's operating expenses request includes funding associated with two decision items and three budget amendments. **Staff recommends approving the request (\$266,586 General Fund).** The impact of each of the decision items and budget amendments is shown in the table below, and the decision items and budget amendments are described below the table.

Decision Item/Budget Amendment	Request and Staff Recommendation (General Fund)
<i>FY 2007-08 Long Bill Appropriation</i>	\$107,765
+ Supplemental Appropriations for Operating Expenses	\$9,042
= FY 2007-08 Total Operating Expenses Appropriation	\$116,807
+ DI #1: Transparency Initiative	\$31,794
+ DI #3: BondEdge Software	47,188
+ BA #1: Cyber Security	69,339
+ BA #2: Bloomberg Terminal Rate Increase (increase above FY 2007-08 supplemental)	1,458
+ BA #3: Credit Research Service Subscription (continues supplemental)	0
= Total Recommendation for FY 2008-09	266,586

² 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.

DECISION ITEM #1: TRANSPARENCY INITIATIVE

Decision item #1 is discussed in depth in the personal services section of this paper. The \$31,794 requested under operating expenses will fund the publication the STAR report, including 2,000 hard copies, and additional programming work for the proposed interactive website. **Staff recommends approving the request.**

DECISION ITEM #3: BONDEDGE FIXED INCOME INVESTMENT SOFTWARE

The Department is requesting \$47,188 General Fund to purchase BondEdge fixed income investment software. The request is based on a \$3,277 monthly charge (for twelve months) and a one-time implementation fee of \$7,864. The monthly charge would be ongoing, resulting in annual cost of \$39,324 (barring cost increases) for FY 2009-10.

According to the Department, BondEdge would complement the investment officers' Bloomberg terminals by providing "comprehensive portfolio analytics" that would allow the officers to analyze the risk associated with entire portfolios of securities. The system also allows for several analyses not available through Bloomberg. The Department's Bloomberg terminals provide crucial information for the analysis of specific securities in real time. However, the Bloomberg terminals do not allow for analysis of portfolios as a whole.

BondEdge would allow the investment officers to model the impact of buying or selling a given security on the portfolio as a whole under a variety of scenarios and assess the risk associated with a given allocation of securities. The Department has indicated that the primary benefit to BondEdge would be a reduction in risk of losses, rather than necessarily enhanced gains.

The Department's investment program audit, authorized by the State Auditor but performed by an independent firm, was released in November 2007. The audit recommends that the Department implement a portfolio analytics system in addition to the current Bloomberg terminals to reduce risk to the State's investments.

Staff recommends funding the Department's request for \$47,188 for the BondEdge software. While reducing risk may be difficult to quantify, in a credit market with significant uncertainty in fixed income portfolios reducing the State's "downside risk" seems appropriate.

BUDGET AMENDMENT #1: CYBER SECURITY

This budget amendment replaces decision item #1 from the November budget request. In the November 1 submission, the Department requested \$98,338 General Fund (distributed among the personal services, operating, AED, and SAED line items) and 1.0 FTE to hire an “Information Security Officer” (ISO) to improve security for the Department’s computer systems. Budget Amendment #1 replaces that request with a request for \$69,399 General Fund to improve cyber security at the Department, a reduction of \$28,939 from the November request.

The State Cyber Security program, created by H.B. 06-1157, requires the Department to have a designated ISO and to undertake a variety of actions to improve system security. As part of the program, each State agency must have a cyber security plan approved by the state's Chief Information Security Officer (CISO). Treasury submitted a plan in 2007 but the CISO did not approve the plan - Treasury remains the only agency in the State without an approved plan.

The Department does not have a designated ISO as required by the CISO, simply because the Department has no staff with cyber security expertise. The original request would have allowed the Department to hire a full-time ISO to bring the agency into compliance with statewide Cyber Security policies. However, in discussions with JBC staff, the office of the CISO expressed concern that the Department’s system did not warrant a full-time employee. Furthermore, with the CISO working to consolidate cyber security functions statewide, staff and the Department were concerned that the Department could add a permanent FTE that would be unnecessary if current efforts to centralize cyber security efforts succeed.

Since submitting the November request, the Department has worked with the CISO to develop an alternative plan (submitted as budget amendment #1) that would avoid the addition of a permanent FTE for cybersecurity. The new proposal would allow the Department to contract with the CISO to provide 0.5 FTE of CISO staff time for the Department's cyber security needs. In addition to the costs for the 0.5 FTE (estimated at \$44,339 for FY 2008-09), the proposal includes \$25,000 in security system costs.

Staff recommends approving the revised request (budget amendment #1). The Department's system contains important information that remains vulnerable. The revised request should allow the Department and the CISO to remedy the situation without adding unnecessary staff at the Department.

BUDGET AMENDMENT #2: BLOOMBERG TERMINAL LEASE RATES

The Department is requesting \$8,256 General Fund above the November 1 request to cover increases in the cost of the investment officers’ Bloomberg terminals. The request reflects both increases in the lease rates for the terminals and decreases in the share of costs applicable to the Department’s debt issuances (further increasing the share paid by the General Fund). The Committee recently approved a FY 2007-08 supplemental for \$6,798 General Fund to cover these costs. The FY 2008-

09 budget amendment represents an increase of \$1,458 above the supplemental approved by the Committee to account for additional cost increases anticipated to take effect prior to the beginning of FY 2008-09.

Staff recommends approving the request to cover increased costs associated with the Department's Bloomberg terminals.

BUDGET AMENDMENT #3: CREDIT RESEARCH SERVICE SUBSCRIPTION RATE INCREASE

The Department is requesting \$2,244 General Fund above the November 1 request to cover increases in the cost of the investment officers' credit research service subscriptions. The budget amendment continues an increase awarded by the Committee in an FY 2007-08 supplemental, reflecting both increases in the subscription rate and decreases in the share of costs applicable to the Department's debt issuances (further increasing the share paid by the General Fund).

Staff recommends approving the request to remain consistent with the FY 2007-08 supplemental appropriation.

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). For FY 2007-08, the Department is using this funding to replace three desktop computers used by the Administration Division and three laptop computers, three desktop computers, and one printer for the Unclaimed Property program. For FY 2008-09, the Department plans to purchase one printer and four desktop computers for the Administration Division and four desktop computers for the Unclaimed Property program.

Staff recommends approving the 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					Actual Expenditures
	Long Bill	Supplemental	Final	Hours	Percent Change Mid-year	
FY 2001-02	19,282	19,281	38,563	632	100.0%	52,644
FY 2002-03	19,734	15,918	35,652	597	80.7%	33,948
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		

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 575 hours of legal services in FY 2008-09. 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.

Purchase of Services from Computer Center. This item provides funding for the Department's share of statewide computer services provided by the Department of Personnel and Administration, Division of Information Technology. The Department requests \$19,613 General Fund (including \$16,069 for a statewide decision item) for computer services provided by the General Government Computer Center. **Staff's recommendation for the purchase of services from the computer center is pending Committee policy.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

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 \$2,421 General Fund (including \$18 for a statewide decision item). **Staff's recommendation is pending Committee common policy for these items.** Staff will ultimately 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 \$54,836 General Fund appropriation (including \$33 for a statewide decision item) for the space that it occupies in the State Capitol Building. **Staff recommends approving funding for the square footage currently occupied by the Treasurer's Office. The**

corresponding General Fund appropriation for this line is pending approval of a common policy rate per square foot for Capital Complex Leased Space.

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 district³ 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 withheld are to be deposited into the Charter School Financing Administrative Cash Fund. Moneys in this fund are continuously appropriated. The FY 2007-08 Long Bill includes an informational \$5,000 appropriation from this fund.
- 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 FY 2007-08 Long Bill does not include an informational appropriation related to this fund.

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.**

³ Or, in the case of an institute charter school, the amount is withheld from the amount paid to the State Charter School Institute.

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Staff recommends the following footnotes be **eliminated and replaced with a written request for information**. Staff recommends that the written request for information include the modifications shown in struck type and small capitals.

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.

120 Department of the Treasury, Administration -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2007~~ 2008, 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 ~~2006-07~~ 2007-08 as well as projected expenditures for FY ~~2007-08~~ 2008-09. The requested report should be submitted as part of the State Treasurer's annual budget request.

121 Department of the Treasury, Administration -- The State Treasurer is requested to provide to the Joint Budget Committee, by November 1, ~~2007~~ 2008, 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 ~~2006-07~~ 2007-08, as well as projected data for FY ~~2007-08~~ 2008-09. The requested information should be submitted as part of the State Treasurer's annual budget request.

(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 2006-07	Cumulative Since FY 1987-88
Total Revenues <1>	\$43,787,200	\$427,834,458
Total Claims Paid	15,128,712	118,129,031
<i>Claims Paid as Percent of Total Revenues</i>	<i>34.6%</i>	<i>27.6%</i>
Reserve Amount Held for Future Claims	1,869,776	40,391,202
<i>Reserve as Percent of Total Revenues</i>	<i>4.3%</i>	<i>9.4%</i>
Transfers <2>:		
General Fund	0	115,455,204
CoverColorado	9,307,646	57,541,641
Industrial Banks	0	7,612,881
Total Transfers	9,307,646	180,609,726
<i>Transfers as Percent of Total Revenues</i>	<i>21.3%</i>	<i>42.2%</i>
Funds Used for Administration of Unclaimed Property Program<3>	1,717,630	8,443,672
<i>Administrative Costs as Percent of Total Revenues</i>	<i>3.9%</i>	<i>n/a</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. The Department transferred \$51.6 million to this new fund in FY 2004-05.

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 program currently has one managerial position, five professional positions, and four administrative positions. A significant portion of the appropriation also pays for non-classified contract employees who enter data, assist customers, and initiate the processing of claims. The use of temporary employees allows full-time employees to focus on property receipt, claims payment, and research. The following table shows the distribution of FTE's within the division.

Staffing Summary	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	Approp.	Request	Recomm.
Program Director	1.0	1.0	1.0	1.0
Program Administration/ Claims Processing	1.4	2.0	2.0	2.0
Auditors	2.8	3.0	4.0	4.0
Clerical	<u>3.6</u>	<u>4.0</u>	<u>5.0</u>	<u>6.5</u>
TOTAL	8.8	10.0	12.0	13.5

The Department requests \$740,435 cash funds (which includes \$103,797 for hourly, non-classified services) and 12.0 FTE. The fund source is the Unclaimed Property Trust Fund. The Unclaimed Property personal services request includes two decision items, representing \$49,559 cash funds and 2.0 additional FTE above the FY 2007-08 appropriated level for personal services.

Staff recommends an appropriation of \$738,000 cash funds from the Unclaimed Property Trust Fund and 13.5 FTE. The following table, which employs the common policy approved by the Committee, summarizes staff's calculation of the FY 2008-09 personal services recommendation for the Unclaimed Property Division.

Personal Services - Unclaimed Property Division		
	Cash Funds	FTE
FY 2007-08 Long Bill	\$666,851	10.0
+ Special Bills and Supplemental Appropriations for Personal Services	<u>0</u>	<u>0.0</u>
FY 2007-08 Total	666,851	10.0
+ FY 2007-08 Performance-based Pay Awards*	5,585	0.0
+ FY 2007-08 Salary Survey	<u>17,043</u>	<u>0.0</u>
<i>Continuation-Level Appropriation for FY 2008-09</i>	689,479	10.0
+ Decision Item #4 (Unclaimed Property Audit Intern)	39,721	1.0
+ Decision Item #5: Unclaimed Property Administrative Assistant	8,800	2.5
Recommendation: FY 2008-09	738,000	13.5

* Per Committee policy, this calculation includes 80 percent of the appropriated FY 2007-08 Performance-based Pay Awards as part of the base for calculation of the FY 2008-09 personal services line.

The decision items are discussed below.

DECISION ITEM #4: UNCLAIMED PROPERTY AUDIT INTERN

The Department requests \$46,036 cash funds from the Unclaimed Property Trust Fund (distributed among the Personal Services, AED, SAED, and Operating Expenses line items) and 1.0 FTE to hire an additional desk auditor for the Unclaimed Property Program.

Under Colorado statute, holders of unclaimed property are required to report (Section 38-13-110, C.R.S.) and transfer (Section 38-13-112, C.R.S.) eligible property to the Treasury. However, many "active holders" in the Division's database are not reporting regularly. According to the Department, only 7,300 of the 39,000 active holders in the Division's database filed reports in 2006. So, approximately 32,000 active holders (82 percent) did not file reports and did not transfer property that year. The Department says that 870 entities in the database have never filed a report and that 1,130 have reported at least once in the past five years but not at all in the past two years.

The requested auditor would attempt to increase compliance with the Unclaimed Property Act by contacting holders and encouraging them to report. According to the Department's statistics, the current auditors generated an average of \$362,000 in receipts per year per auditor through this type of desk audit from FY 2003-04 through FY 2006-07 (see table below). The requested position would focus on desk audits (requesting voluntary compliance through phone calls and mail), allowing the senior auditors to conduct additional field audits.

Year	Average Field Audit Receipts per Auditor	Average Desk Audit Receipts per Auditor
FY 2003-04	\$272,879	\$370,551
FY 2004-05	650,852	480,944
FY 2005-06	114,928	328,140
FY 2006-07	15,828	270,611
FY 2007-08 (through 1/29/08)	1,376,001	84,124

Staff recommends approving the Department's request for 1.0 FTE for an audit intern. Staff recommends a total appropriation of \$44,662 cash funds from the Unclaimed Property Trust Fund for the decision item, distributed among four line items. The reduction from the request is because the Department assumed a starting salary of \$40,000, above the minimum for the position's classification. Staff recommends starting the position at the minimum salary (\$35,592). The recommended funding, by line item, is shown in the table below.

Funding Breakdown for DI #4, Unclaimed Property Audit Intern		
Line Item	Request	Staff Recommendation
UP Personal Services	41,069	39,721
Amortization Equalization Disbursement	589	569
Supplemental Amortization Equalization Disbursement	184	178
UP Operating Expenses	4,194	4,194
Total	46,036	44,662

DECISION ITEM #5: UNCLAIMED PROPERTY ADMINISTRATIVE ASSISTANT

The Department requests \$8,650 cash funds (distributed among the Personal Services, AED, and SAED line items) and 1.0 FTE to hire a permanent administrative assistant to serve as the "lead phone operator" for the claims section of the Unclaimed Property Division. The request represents the Department's initial estimate of the "incremental cost" of converting one year-round, full-time temporary position to a permanent FTE.

The Department provided two basic justifications for the request: 1) turnover among the temporary staff requires additional training and time from permanent staff, resulting in inefficiencies; and 2) a permanent staff member would have greater ability to handle relatively simple claims and projects, freeing up other staff time to handle more complicated projects.

Staff has several concerns about the Department's request as submitted.

- First, with respect to the Department's first justification (frequent turnover resulting in inefficiency), staff is not convinced that this has created a problem for the Department in recent times. According to the Department, the position(s) in question have not turned over in the past two to three years.
- Second, the request discusses converting one phone operator position to full time FTE status. Since the submission of the request, staff has learned that the Unclaimed Property Division actually has three temporary staff working full-time and year-round answering phones and dealing with inquiries, accounting for a total of 2.5 FTE worth of work hours. All three positions have been filled with "temporary" staff on a full-time, year-round basis at least since the early 1990's. Staff is concerned that the positions are functioning as full-time, year-round employees on a long term basis without showing up in the Department's FTE counts.
- Third, staff does not see a clear rationale for converting only one of the year-round "temporary" positions and not the two positions doing the same work.
- Finally, Department staff have agreed that the original request amount was too high for one position. The incremental increase in personal services cost would actually be \$3,520 per position if the position started at the bottom of the pay-scale for an Administrative I position.

Staff recommends a total appropriation of \$21,908 cash funds from the Unclaimed Property Trust Fund, split among four line items (see table below for funding distribution). Staff recommends that the Committee appropriate 2.5 FTE to the Unclaimed Property Division to convert the current year-round "temporary" staff to permanent FTE. Staff also recommends appropriating an additional \$11,780 to the Department's Health, Life, and Dental line item to cover the Department's insurance costs for 2.0 additional FTE. With no indication of an upcoming decrease in the Division's workload, staff feels that these FTE should be reflected in the Department's budget, and absorbing the additional insurance costs would be problematic for the Department.

Funding Breakdown for DI #5, Unclaimed Property Administrative Assistant		
Line Item	Request	Staff Recommendation
UP Personal Services	8,490	8,800
Amortization Equalization Disbursement*	122	1,012
Supplemental Amortization Equalization Disbursement*	38	316
Health, Life, Dental**	0	11,780
Total	8,650	21,908

*Departmental estimates for AED and SAED expenses were incorrect because they were calculated using the incremental increase in salary expenses rather than the total salary that would be paid if the requested position were converted to permanent FTE status.

**Recommendation funds Health, Life, Dental for additional 2.0 FTE at Department's average cost.

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 outlay⁴, utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. This line item funds the Unclaimed Property Division's operations. Prior to FY 2006-07, this line item also included funding for advertising and publicizing the annual list of unclaimed property owners. This funding is now included in a separate line item. For FY 2008-09, the Department requests \$120,611 cash funds from the Unclaimed Property Trust Fund. The request includes \$4,194 cash funds associated with decision item #4 (Unclaimed Property Audit Intern). The request would provide a computer, desk, and necessary supplies for the new audit FTE. **Staff recommends approving the Department request (\$120,611 cash funds from the Unclaimed Property Trust Fund).**

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 2006-07, the Department is statutorily allowed to spend up to \$302,574 for this purpose in the current fiscal year. For FY 2008-09, the Department requests a continuation level of funding of \$150,296.

Staff recommends approving the request. Pursuant to S.B. 04-211, the Treasury Department is required 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 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.

If it is the General Assembly's intent that the State Treasurer make a good faith effort to locate and reunite owners (and heirs) with their dormant/abandoned property, staff believes it is important to provide the tools necessary to do so.

Leased Space. The Division's previous lease at the Chancery building expired June 30, 2006. Based on more favorable lease terms, the Division elected to move in August 2006. The General

⁴ 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.

Assembly provided one-time funding for FY 2006-07 to cover the costs of the move. The Department requests \$48,524 for FY 2008-09 for the 3,466 square feet it now occupies at 1580 Logan Street (\$14.00 per square foot). The fund source is the Unclaimed Property Trust Fund. The request is an increase of \$1,733 over the FY 2007-08 appropriation but is required by the Division's lease contract. **Staff recommends approving the request.**

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.

The Department requests a continuation level of funding (\$800,000) for Third Party Auditor Contract Services. This is equivalent to 12 percent of \$6.7 million. Based on actual expenditures for this line item, it appears that this is a reasonable request and **staff recommends approving the request.** The funding source is the Unclaimed Property Trust Fund.

(3) SPECIAL PURPOSE

Senior Citizen Property Tax Exemption. This line item provides funding to reimburse local governments for property taxes foregone as a result of the Senior Citizen 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 qualifying⁵ 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 six percent 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

⁵Qualifications 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).

fund appropriations because the enactment of this section by the people of Colorado constitutes voter approval of a weakening of any such limitation."

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 \$77.2 million for this purpose. **Based on the Legislative Council Staff December 2007 revenue forecast, staff recommends reflecting \$86.2 million in the FY 2008-09 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 Property Tax Exemption			
	FY 02-03	FY 06-07 Actual	FY 07-08
	Actual	/a	Estim. /b
County Reimbursement for Tax Exemption	\$61,491,764	\$74,232,895	\$81,000,000
Number of Exemptions Granted /b	123,326	146,836	not projected
Average Property Tax Exempted	\$499	\$506	not projected
Percent of Residences Granted Exemption	8.0%	8.5%	not projected
Actual Value Exempted	\$8,865,984,923	\$11,737,065,090	not projected
Assessed Value Exempted	\$811,237,620	\$934,270,381	not projected

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

/b This figure is based on the Legislative Council staff December 2007 revenue forecast. The appropriation of \$78.6 million was based on estimates included in the March 2007 revenue forecast.

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 average⁶, premium revenues cover only 43 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.

⁶ 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.

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	47,859,232	24,257,015	50.7%	(23,602,217)	17,266,139	(6,336,078)
Projections:						
07-08 	69,735,182	29,397,288	42.2%	(40,337,894)	30,093,585	(10,244,309)
08-09 	92,830,895	39,517,276	42.6%	(53,313,619)	55,070,516	1,756,897
09-10 	118,307,649	50,657,110	42.8%	(67,650,539)	66,700,739	(949,800)
10-11 	147,177,493	63,526,587	43.2%	(83,650,906)	131,312,973	47,662,067
11-12 	181,185,410	78,813,969	43.5%	(102,371,441)	143,229,348	40,857,907

<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.

 Projections prepared by Leif Associates, dated October 26, 2007. Reflects "baseline" actuarial scenario. Projections include insurance carrier assessments of \$71.8 million in FY 2010-11 and \$103.1 million in FY 2011-12.

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.].

The Department 's budget request includes an informational appropriation of \$48,722,043 to reflect anticipated transfers to CoverColorado in FY 2008-09. Staff recommends reflecting the amount requested. CoverColorado is projecting revenues totaling \$94.6 million in FY 2008-09, including \$39.5 million in premiums paid by enrollees, \$48.7 million from the Unclaimed Property Trust Fund, \$5.0 million from insurance premium tax credits, and \$1.3 million in 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 \$468 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 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 plans⁷.

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

⁷ 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.

million. The legislation provided that state support would end when the local old hire pension plans became fully funded or in FY 2009-10, whichever came first. Prior to S.B. 95-228, it was anticipated that state funding would continue through 2024. The earlier end-date was intended to coincide with the point at which all "old hire" employees would be retired.

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.

Department Request

Under current law, the State is required to contribute \$25.3 million per year through FY 2011-12 or until the plans are fully funded, whichever comes first, plus an additional make-up payment (if necessary) related to recent suspended contributions. For FY 2006-07 and FY 2007-08, the Joint Budget Committee voted to increase the appropriation by \$9.5 million (to \$34,774,141 in FY 2006-07 and \$34,777,172 in FY 2007-08). The Committee's plan was based on a scenario which avoids the balloon payment otherwise required in April 2012; the amount was based on increasing the appropriation for four years, consistent with the Referendum C "time-out" period, and then appropriating the remaining obligation in FY 2010-11 and FY 2011-12, as necessary.

Staff has provided a table [see Appendix A] 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 three fiscal years. This option is estimated to require a payment of \$21.0 million in April 2012.
- B: *JBC Plan*. Consistent with the Committee's action last Spring, continue to appropriate a higher amount for the next two fiscal years (\$34.8 million) and appropriate \$23.5 million in FY 2010-11. Current FPPA projections indicate that this option would eliminate the need for any payment in FY 2011-12.
- C: *Four Equal Payments*. Appropriate the same amount (\$24.4 million) for each of the next four fiscal years.
- D: *Two Equal Payments*. Appropriate the same amount (\$45.2 million) for each of the next two fiscal years (consistent with the Referendum C "time-out" period), paying off the State's obligations in April 2010.

E: *April 09 Payoff.* Pay off the State's obligations in April 2009 (\$87.2 million).

The Department's request includes \$34,777,172 for FY 2008-09 -- the same appropriation as for FY 2007-08. **Consistent with the General Assembly's FY 2006-07 and FY 2007-08 actions, staff recommends appropriating \$34,777,172 for FY 2008-09** (option B). This option spreads the cost of the make-up payment over four fiscal years. Under current projections, this option would allow the General Assembly to reduce the funding level to \$23.5 million for FY 2010-11 and eliminate the payment entirely for FY 2011-12.

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 administration⁸ of the county highway systems and any other public highways. The Treasurer's budget request included estimated distributions to counties totaling \$163,408,475 in FY 2008-09. **Based on Legislative Council staff's December 2007 revenue forecast, staff recommends including a cash funds appropriation of \$157,500,000** 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. **Staff also requests permission to update this figure with the latest Legislative Council Staff projections of HUTF distributions to counties when the Long Bill is finalized.**

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 administration⁹ 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 \$103,761,968

⁸ 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.

⁹ 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.

in FY 2007-08. **Based on Legislative Council staff's December 2007 revenue forecast, staff recommends including a cash funds appropriation of \$104,392,700** 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. **Staff also requests permission to update this figure with the latest Legislative Council Staff projections of HUTF distributions to counties when the Long Bill is finalized.**

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Staff recommends the following footnotes be **eliminated and replaced with a written request for information**. Staff recommends that the written request for information include the modifications shown in struck type and small capitals.

- 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, ~~2007~~ 2008, and by February 1, ~~2008~~ 2009, that contain enrollment, revenue, expenditure, and assessment projections for the CoverColorado program for ~~FY 2007-08 and FY 2008-09~~ FY 2008-09 and FY 2009-10.
- 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, ~~2007~~ 2008. 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.

Appendix A
Summary of Payment Options for Old Hire State Assistance
All Payments Assumed to be Made on April 30

OPTIONS FOR 2009 - 2012					
Year of April Payment	A: Current Law 2008+	B: JBC Plan	C: Four Equal Payments	D: Two Equal Payments	E: April 09 Payoff
2008 (approp.)	\$34,777,172	\$34,777,172	\$34,777,172	\$34,777,172	\$34,777,172
2009	25,321,079	34,777,172	24,355,838	45,237,043	87,213,194
2010	25,321,079	34,777,172	24,355,838	45,237,043	0
2011	25,321,079	23,501,178	24,355,838	0	0
2012	20,971,594		24,355,838	0	0
Total	96,934,831	93,055,522	97,423,352	90,474,086	87,213,194

Comparison of each option to "Current Law" option:

2009	9,456,093	(965,241)	19,915,964	61,892,115
2010	9,456,093	(965,241)	19,915,964	(25,321,079)
2011	(1,819,901)	(965,241)	(25,321,079)	(25,321,079)
2012	(20,971,594)	3,384,244	(20,971,594)	(20,971,594)
Total	(3,879,309)	488,521	(6,460,745)	(9,721,637)

NOTES:

Above figures provided by the FPPA. All options assume no change to FY 2007-08 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 from FY 2006-07 and FY 2007-08, 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 remainder paid in FY 2010-11.

Options C - D show equal payments over different time periods

All options are actuarially equivalent, based on 8% investment returns for all years, to the current statutory provision for payments of \$25.3 million in each year, including FY 2006-07, with a final make-up payment in April 2012.