

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



**FY 2007-08 SUPPLEMENTAL:
DEPARTMENT OF TREASURY**

**PRIORITIZED AND NON-PRIORITIZED
REQUESTS**

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

Craig Harper, JBC Staff

January 17, 2008

For Further Information Contact:

**Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061**

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FY 2007-08 SUPPLEMENTAL RECOMMENDATION
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Totals for All Supplementals	2	N.A.

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF TREASURY					
State Treasurer - Cary Kennedy					
Supplemental #1 - Bloomberg Terminal Lease Rate Increase					
<i>(1) Administration</i>					
Operating Expenses - General Fund	107,724	107,765	6,798	1,607	109,372
Supplemental #2 - Standard and Poor's Subscription Rate Increase					
<i>(1) Administration</i>					
Operating Expenses - General Fund	107,724	107,765	2,244	478	108,243
Supplemental #3 - Funding Mix Change					
<i>(1) Administration</i>					
Personal Services	1,137,681	1,179,635	0	0	1,179,635
General Fund	414,243	455,968	(33,822)	(33,822)	422,146
Cash Funds (Treasury transactions fee)	723,438	723,667	33,822	33,822	757,489.0
Totals Excluding Pending Items					
DEPARTMENT OF TREASURY					
TOTALS for ALL Departmental line items	384,441,327	397,872,507	9,042	2,085	397,874,592
FTE	<u>23.6</u>	<u>26.0</u>	<u>0.0</u>	<u>0.0</u>	<u>26.0</u>
General Fund	75,041,985	79,448,970	(24,780)	(31,737)	79,417,233
General Fund Exempt	34,774,141	35,839,172	0	0	35,839,172
Cash Funds	2,442,699	2,608,187	33,822	33,822	2,642,009
Cash Funds Exempt	272,182,502	279,976,178	0	0	279,976,178
Federal Funds	0	0	0	0	0

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Statewide Supplementals (see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>(32,379)</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			(32,379)		
Totals Including Pending Items in Request					
DEPARTMENT OF TREASURY					
TOTALS for ALL Departmental line items	384,441,327	397,872,507	(23,337)	2,085	397,874,592
FTE	<u>23.6</u>	<u>26.0</u>	<u>0.0</u>	<u>0.0</u>	<u>26.0</u>
General Fund	75,041,985	79,448,970	(57,159)	(31,737)	79,417,233
General Fund Exempt	34,774,141	35,839,172	0	0	35,839,172
Cash Funds	2,442,699	2,608,187	33,822	33,822	2,642,009
Cash Funds Exempt	272,182,502	279,976,178	0	0	279,976,178
Federal Funds	0	0	0	0	0

Key:

"N.A." = Not Applicable

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Supplemental # 1 - Bloomberg Terminal Lease Rate Increase

	Request	Recommendation
Total	<u>\$6,798</u>	<u>\$1,607</u>
General Fund	6,798	1,607

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
A portion of the request does meet supplemental criteria because the lease rate for the Department's Bloomberg terminals has increased and the share of costs applicable to debt issuances has decreased since the FY 2007-08 appropriation was made.	

Department Request: The Department requests \$6,798 General Fund to cover increases in the lease rates for the Department's Bloomberg terminals. In addition to changes in the lease rates, growth in the Treasury Pool cash balance has reduced the percentage of the lease costs applicable to the Treasury's debt issuances rather than to Treasury operations in general, increasing the General Fund necessary to continue full funding of the three terminals.

Analysis: Treasury has three Bloomberg terminals, each of which comes up for contract renewal every two years. The Department's three investment officers, who together oversee portfolios worth over \$6 billion, rely heavily on the Bloomberg terminals. The terminals provide live price and yield information, real time financial market news, historical data, and a platform for trading securities. The investment officers also use the terminals to provide information to other state agencies such as the Banking Commission and the Insurance Commission. Each investment officer uses a separate terminal and uses that terminal for most of each day.

The Department's request is based on two components: 1) Bloomberg has increased lease rates for the terminals and 2) growth in the Treasury Pool cash fund relative to the Department's debt issuances has reduced the share of the lease costs that the Department applies to debt issuances (increasing the share paid by General Fund). However, only a portion of those changes meet supplemental criteria; some of the changes to be funded by the request predate the original FY 2007-08 appropriation and therefore do not appear to meet supplemental criteria.

The Department last asked for an increase in funding for the Bloomberg terminals in a FY 2006-07 decision item. The Department requested \$2,808 General Fund, and the Committee funded that request. The Department's FY 2007-08 supplemental request is based on changes in the annual costs for the terminals (and the share applicable to the debt issuances) since that increase in funding for FY 2006-07, an annual increase of \$6,798. In addition, the FY 2006-07 Long Bill decision item assumed that 28 percent of the Bloomberg

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charges would be applicable to the Department's debt issuances. The share applicable to the Department's debt issuances has declined to 19 percent, raising the General Fund share from 72 percent to 81 percent of the lease costs.

However, only \$1,606 of the \$6,798 request is attributable to data not available when the FY 2007-08 appropriation was made. Changes in the lease rate and in the share applicable to debt issuances after enactment of the FY 2006-07 Long Bill but prior to the FY 2007-08 budget process account for the remaining \$5,191 of the Department's request. As the Department did not submit any decision item requests for FY 2007-08 (due to the change in Treasury administration), the Department did not request funding for those increases in the FY 2007-08 Long Bill. Given that the \$5,191 General Fund increase in cost was known when the FY 2007-08 appropriation was made, that portion of the request does not appear to meet supplemental criteria.

In terms of changes that would meet supplemental criteria, Bloomberg increased the lease rate by \$75 per month (\$900 per year) for one terminal, effective July 2, 2007. In addition to the lease rate increase, the share of lease costs attributable to the Department's debt issuances has decreased from 20.4 percent to 19 percent as a result of growth in the Treasury Pool cash funds relative to the Department's debt issuances.

	Cost When FY 2007-08 Appropriation was Made	Current Cost	Change from Approp.
Total FY 2007-08 Bloomberg Cost	\$62,640	\$63,540	\$900
Share Applicable to Debt Issuances	12,779 (20.4%)	12,073 (19%)	(706)
General Fund Cost	49,861	51,467	1,606

As a result, while staff recognizes the importance of the Bloomberg terminals to Treasury operations, staff analysis indicates that only \$1,606 of the request meets supplemental criteria.

Staff Recommendation: Consistent with supplemental criteria, staff recommends approving \$1,606 of the Department's \$6,798 General Fund request.

Supplemental # 2 -Credit Research Service Subscription Rate Increase

	Request	Recommendation
Total	<u>\$2,244</u>	<u>\$478</u>
General Fund	2,244	478

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Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
A portion of the request does meet supplemental criteria because the Stand and Poor's subscription rate has increased and the share of costs applicable to debt issuances has decreased since the FY 2007-08 appropriation was made.	

Department Request: The Department requests \$2,244 General Fund to pay for increases in subscription rates for Creditwire, Standard & Poor's credit research service. In addition to the subscription rate increase, growth in the Treasury Pool cash balance has reduced the percentage of subscription costs applicable to the Treasury's debt issuances rather than to Treasury Operations in general, requiring additional General Fund to continue funding the existing subscriptions.

Analysis: Creditwire is a real-time credit ratings and research information service. It provides immediate access to new issue ratings and analyses, other ratings actions, late breaking headlines and bulletins, and other information for the Department's investment officers.

Similar to the request for supplemental #1, the Department's request is based on two factors: 1) Standard & Poor's has increased the cost of subscribing to Creditwire and 2) growth in the Treasury Pool cash fund relative to the Department's debt issuances has reduced the share of the subscription costs that the Department applies to debt issuances (increasing the share paid by General Fund). However, as with Supplemental #1, only a portion of the request represents information that was not available when the FY 2007-08 appropriation was made, so only a portion meets supplemental criteria.

The Department's request for Creditwire is based on a \$400 increase in the annual subscription price that took place after passage of the FY 2007-08 Long Bill. That increase appears to satisfy supplemental criteria. As shown in the table below, the share of subscription costs applicable to the debt issuances has declined from 20.4 percent of total costs to 19 percent since the passage of the FY 2007-08 Long Bill, thereby increasing the General Fund share from 79.6 percent to 81 percent. That change also was not anticipated in the Long Bill and appears to meet supplemental criteria. As a result of these two factors, \$478 of the Department's \$2,244 request meets supplemental criteria.

	Cost When FY 2007-08 Appropriation was Made	Current Cost	Change from Approp.
Total FY 2007-08 Standard & Poor's Cost	11,000.00	11,400.00	400.00
Share Applicable to Debt Issuances	2,244.00 (20.4%)	2,166.00 (19%)	(78.00)
General Fund Cost	8,756.00	9,234.00	478.00

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The remainder of the request (\$1,766) is based on a change in the share of costs applicable to the debt issuances that predated the FY 2007-08 Long Bill. As Treasury did not submit any decision items for FY 2007-08 (due to the election of a new Treasurer), the Department did not request increases for Creditwire for the FY 2007-08 Long Bill. Because much of the change in the share applicable to debt issuances was known when the FY 2007-08 appropriation was made, that portion of the request does not appear to meet supplemental criteria.

Staff Recommendation: While staff recognizes the importance of the Creditwire service, consistent with supplemental criteria, staff recommends approving \$478 of the Department's \$2,244 General Fund request.

Supplemental #3 - Funding Mix Change

	Request	Recommendation
Total	\$0	\$0
General Fund	(33,822)	(33,822)
Cash Funds	33,822	33,822

<p>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]</p>	YES
<p>The amount the Department expected to collect in transaction fees in FY 2007-08 has increased substantially since the FY 2007-08 appropriation was made.</p>	

Department Request: The Department requests a supplemental appropriation to reduce the FY 2007-08 General Fund appropriation for Administration by \$33,822 and increase cash funds spending authority by the same amount. The request adjusts the bottom-line fund sources to reflect the actual transaction fee revenue that will be collected in FY 2007-08.

Analysis: Pursuant to Section 24-36-120, C.R.S., the State Treasurer's administrative expenses are partially funded by a fee imposed by the Treasury on transactions that it conducts on behalf of certain interest-earning cash funds. The fee revenue, which is deducted from cash fund interest earnings, offsets the need for General Fund appropriations. The amount available is estimated each year during the Long Bill process. Subsequent to the adoption of the Long Bill, the actual number of transactions and the amount of fee collected are finalized. The Long Bill reflects the mix of General Fund and cash funds that supports the Treasury's administrative section on the "bottom-line" totals, rather than for each individual line item. The Department's request adjusts the bottom-line fund sources to reflect the actual transaction fee revenue that will be collected

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in FY 2007-08.

Staff Recommendation: Staff recommends approving the Department's request, reducing the General Fund appropriation by \$33,822 and increasing the cash funds appropriation by the same amount.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies.

Department of Treasury's Portion of Statewide Supplemental Request	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total	FTE
Capitol Complex Leased Space	855	0	0	0	855	0.0
Purchase of Services from Computer Center	14,972	0	0	0	14,972	0.0
Risk Management and Workers' Compensation	(48,206)	0	0	0	(48,206)	0.0
Total Statewide Supplemental Requests for Department of Treasury	(32,379)	0	0	0	(32,379)	0.0

Staff Recommendation: The staff recommendation for these requests is pending committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the committee later to present the relevant analysis.