

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2014-15 STAFF FIGURE SETTING
DEPARTMENT OF THE TREASURY**

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

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DEPARTMENT OF THE TREASURY

Department Overview

The State Treasurer is one of five independently elected constitutional officers of the state. The Department of the Treasury is responsible for the following primary duties: (1) acts as the state's banker and investment officer, providing investment, accounting, and cash management services and preparing related reports; (2) administers the Unclaimed Property Program; (3) reimburses local governments for property tax revenues foregone due to the senior citizen and disabled veteran property tax exemption; (4) provides short-term, interest-free financing to school districts by issuing tax and revenue anticipation notes and making loans from the General Fund; (5) assists charter schools with long-term financing by making direct bond payments; (6) distributes Highway Users Tax Fund (HUTF) revenues to counties and municipalities; (7) distributes federal mineral leasing funds received for the state's share of sales, bonuses, royalties, and rentals of public lands within Colorado; and, (8) pursuant to S.B. 12-150, manages certain state public financing transactions.

DEPARTMENT REQUEST AND RECOMMENDATION SUMMARY

Executive Request

The Department requests an appropriation of \$435,379,752 total funds (\$118,238,429 General Fund, \$317,141,323 cash funds); including including a \$95,028 increase in the Administration Division; a \$63,895 increase in the Unclaimed Property Program; and a \$1.5 million increase in the Special Purpose Division.

Staff Recommendation

The staff recommendation is summarized in the table below, followed by a brief description of each item listed.

The key difference between the recommendation and the Executive Request is:

- Staff recommends reflecting an appropriation of \$119.1 million General Fund for the Senior Citizen and Disabled Veteran Property Tax Exemption, based on Legislative Council Staff's December 2013 Economic Forecast, rather than the \$117.2 million included in the request.

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Department of the Treasury						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$495,535,754	\$131,492,404	\$364,043,350	\$0	\$0	31.9
Other legislation	(61,832,773)	(25,321,079)	(36,511,694)	0	0	0.0
HB 14-1248 (Supplemental)	<u>6,567</u>	<u>(113,201)</u>	<u>119,768</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$433,709,548	\$106,058,124	\$327,651,424	\$0	\$0	31.9
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$433,709,548	\$106,058,124	\$327,651,424	\$0	\$0	31.9
R1 LexisNexis Accurint Research Service	30,300	0	30,300	0	0	0.0
R2 Investment tools	8,503	8,503	0	0	0	0.0
Senior Citizen and Disabled Veteran Property Tax Exemption adjustment	13,900,000	13,900,000	0	0	0	0.0
Annualize merit pay and salary survey	77,609	44,014	33,595	0	0	0.0
Compensation-related common policy adjustments	63,348	35,478	27,870	0	0	0.0
OIT common policy adjustment	2,005	2,005	0	0	0	0.0
Highway User Tax Fund adjustment	(10,488,719)	0	(10,488,719)	0	0	0.0
Prior year annualization	(7,361)	112,407	(119,768)	0	0	0.0
Operating common policy adjustments	<u>(6,944)</u>	<u>(6,944)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$437,288,289	\$120,153,587	\$317,134,702	\$0	\$0	31.9
Increase/(Decrease)	\$3,578,741	\$14,095,463	(\$10,516,722)	\$0	\$0	0.0
Percentage Change	0.8%	13.3%	(3.2%)	0.0%	0.0%	0.0%
FY 2014-15 Executive Request						
Request Above/(Below) Recommendation	(\$1,908,537)	(\$1,915,158)	\$6,621	\$0	\$0	(0.0)

Issue Descriptions

Recommended Long Bill Supplemental: The recommendation includes an adjustment to the FY 2013-14 appropriation for costs associated with the Bloomberg and BondEdge investment tools used by the Department’s investment officers; and a refinancing of a portion of the personal services line due to increased cash funds from cash management transaction fees.

R1 LexisNexis Accurint Research Service: The recommendation includes a \$30,300 increase in cash funds to purchase the Accurint Research Service to improve claims processing and auditing in the Unclaimed Property Program.

R2 Investment tools: The recommendation includes an \$8,503 increase in General Fund for costs associated with the Bloomberg and BondEdge investment tools used by the Department’s investment officers.

Senior Citizen and Disabled Veteran Property Tax Exemption adjustment: The recommendation includes a \$13.9 million increase in General Fund for reimbursement to local

governments for lost property tax revenues; based on the Legislative Council December 2013 forecast.

Annualize merit pay and salary survey: The recommendation includes an annualization for prior year merit pay and salary survey.

Compensation-related common policy adjustments: The recommendation includes adjustments in accordance with Committee policy to centrally appropriated line items for compensation including the following: salary survey; merit pay; health, life, and dental; short-term disability; and supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund.

Annualize OIT common policy adjustments: The amount shown reflects the request for adjustments to centrally appropriated line items for the following: purchase of services from the computer center; multiuse network payments; asset maintenance; management and administration of the Governor's Office of Information Technology (OIT); and information technology security. *The staff recommendation is pending committee action.*

Highway Users Tax Fund (HUTF) adjustment: The recommendation shows for informational purposes a \$10,488,719 decrease in cash funds for distribution to counties and municipalities of HUTF revenues.

Prior year annualizations: The recommendation includes a decrease of \$7,361 total funds to reflect the FY 2014-15 impact of prior year budget actions.

Operating common policy adjustments: The amount shown reflects the request for adjustments to centrally appropriated line items for the following: workers' compensation and payment to risk management and property; legal services; administrative law judge services; and capitol complex leased space. *The staff recommendation is pending committee action.*

(1) Administration

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

Accounting: The accounting section primarily performs daily reconciliation of all cash that flows in and out of the state's bank accounts. This section is responsible for allocating monthly interest earnings to various funds managed by the Treasury. It manages disbursements and transfers, including: distributing Highway Users Tax Fund (HUTF) moneys, tobacco settlement moneys, tobacco tax moneys, and federal mineral leasing funds; disbursing senior citizen and disabled veteran property tax exemption payments to local governments; and transferring moneys to the State Education Fund in repayment of funds used to resolve the Fire and Police Pension Association liability. Further, the 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 and 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: The investment section manages large portfolios collectively worth approximately \$6 billion. These 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 the Administration Division

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. Specific funds, such as the State Education Fund, the Highway Users Tax Fund, the Great Outdoors Colorado Trust Fund, the Public School Fund, the Old Age Pension Fund, the College Opportunity Fund, and any other fund for which the collection of these fees are prohibited by the State Constitution are exempt from the payment of these fees.

The resulting revenue from these fees covers nearly one-half of the Administration Division's expenses, which would otherwise be paid by the General Fund. The FY 2014-15 fee per transaction will be established at the start of the fiscal year and will equal the FY 2014-15 appropriation for the Administration Division divided by the total number of cash transactions conducted by the Treasury during the prior year (FY 2013-14); including transactions conducted on behalf of funds that do not pay the fee. The amount paid by an eligible fund during FY 2014-

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15 will then equal the per transaction fee multiplied by the number of transactions conducted on behalf of that fund during the prior year (FY 2013-14).

The formula through which fees are calculated results in the General Fund paying for approximately half of any increased Administration Division appropriation, while the rest is covered 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 increase by a fraction of a cent, raising approximately \$500 more from the eligible cash funds; the General Fund will cover the remainder. While transaction fee revenue is used to fund a portion of all lines in the Administration Division, for simplicity, staff reflects all of this revenue in the Personal Services line.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

	Administration					FTE
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$2,214,026	\$971,325	\$1,242,701	\$0	\$0	16.4
HB 14-1248 (Supplemental)	<u>6,567</u>	<u>(113,201)</u>	<u>119,768</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,220,593	\$858,124	\$1,362,469	\$0	\$0	16.4
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$2,220,593	\$858,124	\$1,362,469	\$0	\$0	16.4
R2 Investment tools	8,503	8,503	0	0	0	0.0
Annualize merit pay and salary survey	44,014	44,014	0	0	0	0.0
Compensation-related common policy adjustments	63,348	35,478	27,870	0	0	0.0
OIT common policy adjustment	2,005	2,005	0	0	0	0.0
Prior year annualization	(7,361)	112,407	(119,768)	0	0	0.0
Operating common policy adjustments	<u>(6,944)</u>	<u>(6,944)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,324,158	\$1,053,587	\$1,270,571	\$0	\$0	16.4
Increase/(Decrease)	\$103,565	\$195,463	(\$91,898)	\$0	\$0	0.0
Percentage Change	4.7%	22.8%	(6.7%)	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$2,315,621	\$1,038,429	\$1,277,192	\$0	\$0	16.4
Request Above/(Below) Recommendation	(\$8,537)	(\$15,158)	\$6,621	\$0	\$0	(0.0)

Issue Descriptions

Recommended Long Bill Supplemental: The recommendation includes an adjustment to the FY 2013-14 appropriation for costs associated with the Bloomberg and BondEdge investment tools used by the Department's investment officers; and a refinancing of a portion of the personal services line due to increased cash funds from cash management transaction fees.

R2 Investment Tools: The recommendation includes an \$8,503 increase in General Fund for costs associated with the Bloomberg and BondEdge investment tools used by the Department’s investment officers.

Annualize merit pay and salary survey: The recommendation includes adjustments in accordance with Committee policy to centrally appropriated line items for compensation including merit pay and salary survey.

Compensation-related Common Policy Adjustments: The recommendation includes adjustments in accordance to with Committee policy to centrally appropriated line items for compensation including the following: salary survey and merit pay; health, life, and dental; short-term disability; and supplemental state contributions to the Public Employees’ Retirement Association (PERA) pension fund.

OIT Common Policy Adjustments: The amount shown reflects the request for adjustments to centrally appropriated line items for the following: purchase of services from the computer center; multiuse network payments; asset maintenance; management and administration of the Governor's Office of Information Technology (OIT); and information technology security. *The staff recommendation is pending committee action.*

Prior Year Annualizations: The recommendation includes a decrease of \$7,361 total funds to reflect the FY 2014-15 impact of prior year budget actions.

Operating Common Policy Adjustments: The amount shown reflects the request for adjustments to centrally appropriated line items for the following: workers' compensation and payment to risk management and property; legal services; administrative law judge services; and capitol complex leased space. *The staff recommendation is pending committee action.*

LINE ITEM DETAIL - ADMINISTRATION

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.

Request: The Department requests an appropriation of \$1,337,464 and 16.4 FTE, including \$384,508 General Fund and \$952,956 cash funds from Treasury transaction fees and the Unclaimed Property Trust Fund. The request reflects an annualization of salary survey, merit pay, and H.B. 12-1246.

Recommendation: Staff recommends an appropriation of \$1,337,464 and 16.4 FTE, including \$384,508 General Fund and \$952,956 cash funds from Treasury cash management transaction fees and the Unclaimed Property Trust Fund.

Administration, Personal Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$1,294,244	\$341,288	\$952,956	\$0	\$0	16.4
HB 14-1248 (Supplemental)	0	(119,768)	119,768	0	0	0.0
TOTAL	\$1,294,244	\$221,520	\$1,072,724	\$0	\$0	16.4
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$1,294,244	\$221,520	\$1,072,724	\$0	\$0	16.4
Annualize merit pay and salary survey	44,014	44,014	0	0	0	0.0
Prior year annualization	(794)	118,974	(119,768)	0	0	0.0
TOTAL	\$1,337,464	\$384,508	\$952,956	\$0	\$0	16.4
Increase/(Decrease)	\$43,220	\$162,988	(\$119,768)	\$0	\$0	0.0
Percentage Change	3.3%	73.6%	(11.2%)	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$1,337,464	\$384,508	\$952,956	\$0	\$0	16.4
Request Above/(Below)						
Recommendation	\$0	\$0	\$0	\$0	\$0	(0.0)

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.

Request: The Department requests an appropriation of \$247,092 total funds, including \$113,511 General Fund and \$133,581 cash funds.

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Recommendation: Staff recommends an appropriation of \$238,320 total funds, including \$110,313 General Fund and \$128,007 cash funds from the Unclaimed Property Trust Fund, in accordance with Committee policy.

Administration, Health, Life, and Dental				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	\$205,040	\$95,536	\$109,504	0.0
TOTAL	\$205,040	\$95,536	\$109,504	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	205,040	95,536	109,504	0.0
Compensation-related common policy adjustments	<u>33,280</u>	<u>14,777</u>	<u>18,503</u>	<u>0.0</u>
TOTAL	\$238,320	\$110,313	\$128,007	0.0
Increase/(Decrease)	\$33,280	\$14,777	\$18,503	0.0
Percentage Change	16.2%	15.5%	16.9%	0.0%
FY 2014-15 Executive Request:	\$247,092	\$113,511	\$133,581	0.0
Request Above/(Below) Recommendation	\$8,772	\$3,198	\$5,574	0.0

Short-term Disability

This line item provides funding for the employer's share of state employees short-term disability insurance premiums.

Request: The Department requests an appropriation of \$4,329; including \$2,711 General Fund and \$1,618 cash funds.

Recommendation: Staff recommends an appropriation of \$4,299 total funds, including \$2,692 General Fund and \$1,607 cash funds from the Unclaimed Property Trust Fund, in accordance with Committee policy.

Administration, Short-term Disability				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	\$3,626	\$2,275	\$1,351	0.0
TOTAL	\$3,626	\$2,275	\$1,351	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	3,626	2,275	1,351	0.0
Compensation-related common policy adjustments	<u>673</u>	<u>417</u>	<u>256</u>	<u>0.0</u>
TOTAL	\$4,299	\$2,692	\$1,607	0.0
Increase/(Decrease)	\$673	\$417	\$256	0.0
Percentage Change	18.6%	18.3%	18.9%	0.0%
FY 2014-15 Executive Request:	\$4,329	\$2,711	\$1,618	0.0
Request Above/(Below) Recommendation	\$30	\$19	\$11	0.0

S.B. 04-257 Amortization Equalization Disbursement

Pursuant to S.B. 04-257, this line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA).

Request: The Department requests an appropriation of \$78,713, including \$49,007 General Fund and \$29,706 cash funds.

Recommendation: Staff recommends an appropriation of \$78,155 total funds, including \$48,881 General Fund and \$29,274 cash funds from the Unclaimed Property Trust Fund, in accordance with Committee policy.

Administration, S.B. 04-257 Amortization Equalization Disbursement				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$68,330</u>	<u>\$42,694</u>	<u>\$25,636</u>	<u>0.0</u>
TOTAL	\$68,330	\$42,694	\$25,636	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$68,330	\$42,694	\$25,636	0.0
Compensation-related common policy adjustments	<u>9,825</u>	<u>6,187</u>	<u>3,638</u>	<u>0.0</u>
TOTAL	\$78,155	\$48,881	\$29,274	0.0
Increase/(Decrease)	\$9,825	\$6,187	\$3,638	0.0
Percentage Change	14.4%	14.5%	14.2%	0.0%
FY 2014-15 Executive Request:	\$78,713	\$49,007	\$29,706	0.0
Request Above/(Below) Recommendation	\$558	\$126	\$432	0.0

S.B. 06-235 Supplemental Amortization Equalization Disbursement

Pursuant to S.B. 06-235, this line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA).

Request: The Department requests an appropriation of \$73,794 including \$45,944 General Fund and \$27,850 cash funds.

Recommendation: Staff recommends an appropriation of \$73,271 total funds, including \$45,826 General Fund and \$27,445 cash funds from the Unclaimed Property Trust Fund, in accordance with Committee policy.

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Administration, S.B. 06-235 Supplemental Amortization Equalization Disbursement				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$61,551</u>	<u>\$38,407</u>	<u>\$23,144</u>	<u>0.0</u>
TOTAL	\$61,551	\$38,407	\$23,144	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$61,551	\$38,407	\$23,144	0.0
Compensation-related common policy adjustments	<u>11,720</u>	<u>7,419</u>	<u>4,301</u>	<u>0.0</u>
TOTAL	\$73,271	\$45,826	\$27,445	0.0
Increase/(Decrease)	\$11,720	\$7,419	\$4,301	0.0
Percentage Change	19.0%	19.3%	18.6%	0.0%
FY 2014-15 Executive Request:	\$73,794	\$45,944	\$27,850	0.0
Request Above/(Below) Recommendation	\$523	\$118	\$405	0.0

Salary Survey

This line item provides funding to pay for annual increases for salary survey.

Request: The Department requests an appropriation of \$44,764 total funds, including \$21,063 General Fund and \$23,701 cash funds.

Recommendation: Staff recommends an appropriation of \$63,445 total funds, including \$39,733 General Fund and \$23,712 cash funds from the Unclaimed Property Trust Fund in accordance with Committee policy.

Administration, Salary Survey				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$57,620</u>	<u>\$34,834</u>	<u>\$22,786</u>	<u>0.0</u>
TOTAL	\$57,620	\$34,834	\$22,786	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$57,620	\$34,834	\$22,786	0.0
Annualize merit pay and salary survey	<u>5,825</u>	<u>4,899</u>	<u>926</u>	<u>0.0</u>
TOTAL	\$63,445	\$39,733	\$23,712	0.0
Increase/(Decrease)	\$5,825	\$4,899	\$926	0.0
Percentage Change	10.1%	14.1%	4.1%	0.0%
FY 2014-15 Executive Request:	\$44,764	\$21,063	\$23,701	0.0
Request Above/(Below) Recommendation	(\$18,681)	(\$18,670)	(\$11)	0.0

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Merit Pay

This line item provides funding to pay for performance-based pay increases related to employee performance and evaluations.

Request: The Department requests an appropriation of \$36,843 total funds, including \$21,786 General Fund and \$14,697 cash funds.

Recommendation: Staff recommends an appropriation of \$36,222 total funds, including \$21,735 General Fund and \$14,487 cash funds from the Unclaimed Property Trust Fund, in accordance with Committee policy.

Administration, Merit Pay				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$34,197</u>	<u>\$19,956</u>	<u>\$14,241</u>	<u>0.0</u>
TOTAL	\$34,197	\$19,956	\$14,241	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$34,197	\$19,956	\$14,241	0.0
Annualize merit pay and salary survey	<u>2,025</u>	<u>1,779</u>	<u>246</u>	<u>0.0</u>
TOTAL	\$36,222	\$21,735	\$14,487	0.0
Increase/(Decrease)	\$2,025	\$1,779	\$246	0.0
Percentage Change	5.9%	8.9%	1.7%	0.0%
FY 2014-15 Executive Request:	\$36,483	\$21,786	\$14,697	0.0
Request Above/(Below) Recommendation	\$261	\$51	\$210	0.0

Workers' Compensation and Payment to Risk Management and Property Funds

This line item provides funding the Department's share of the statewide costs for workers' compensation and risk management and property programs.

Request: The Department requests an appropriation \$2,792 General Fund, which includes a proposed Department of Personnel common policy adjustment increase of \$534.

Recommendation: Staff will reflect Committee common policy in the appropriation for this line item.

Operating Expenses

This line item provides funding for supplies and materials for the Administration Division, as well as for certain services that are not covered by other line items such as capital outlay,¹ utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The most significant expenditure funded through this appropriation is for the Department's investing

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

tools, which include leasing three Bloomberg terminals, BondEdge Fixed Income Software System, and a subscription to the Standard & Poor Credit Wire Service. 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 membership to organizations and registration fees for seminars.

Request: The Department requests an appropriation of \$184,734 General Fund, which includes an \$8,503 increase for R2 and an annualization of a prior year budget decision.

➔ R2: Investment Tools

- The request includes an increase of \$8,503 General Fund.
- The additional dollars will be used to cover the increased cost of the Bloomberg and BondEdge investment tools used by the Department’s investment officers.
- A portion of these tools is allocated to the Department’s debt issuances because it relies upon these services to assist it in reinvesting the proceeds of these issuances.
- The percentage of the investment tool costs applicable to the Department’s debt issuances has fallen from 18 percent to 15 percent.
- The Department has experienced bi-annual price increases from both Bloomberg and BondEdge.
- Staff recommends approval of this request.

Recommendation: Staff recommends an appropriation of \$184,734 General Fund.

Administration, Operating Expenses			
	Total Funds	General Fund	FTE
FY 2013-14 Appropriation			
SB 13-230 (Long Bill)	\$176,231	\$176,231	0.0
HB 14-1248 (Supplemental)	<u>6,567</u>	<u>6,567</u>	<u>0.0</u>
TOTAL	\$182,798	\$182,798	0.0
FY 2014-15 Recommended Appropriation			
FY 2013-14 Appropriation	\$182,798	\$182,798	0.0
R2 Investment tools	8,503	8,503	0.0
Prior year annualization	<u>(6,567)</u>	<u>(6,567)</u>	<u>0.0</u>
TOTAL	\$184,734	\$184,734	0.0
Increase/(Decrease)	\$1,936	\$1,936	0.0
Percentage Change	1.1%	1.1%	0.0%
FY 2014-15 Executive Request:	\$184,734	\$184,734	0.0
Request Above/(Below) Recommendation	\$0	\$0	0.0

Information Technology Asset Maintenance

This line item provides funding to replace information technology equipment consistent with standard replacement cycles (e.g., four years for desktop and laptop computers, and five years for printers).

Request: The Department requests a continuation appropriation of \$12,568 total funds, including \$6,284 General Fund and \$6,284 cash funds.

Recommendation: Staff recommends a continuation appropriation of \$12,568 total funds, including \$6,284 General Fund and \$6,284 cash funds from the Unclaimed Property Trust Fund.

Legal Services for 575 hours

This line item provides funding for the Department to purchase legal services from the Department of Law. Section 24-75-112 (1) (i), C.R.S. authorizes agencies to spend up to 10 percent of this appropriation for operating expenses, contractual services, and tuition for employee training.

Request: The Department requests a continuation appropriation of 575 hours of legal services with a corresponding appropriation of \$52,371 total funds, including \$26,186 General Fund and \$26,185 cash funds from the Unclaimed Property Trust Fund.

Recommendation: Staff recommends an appropriation for the purchase of a continuation level of 575 hours of legal services. The rate for legal services is pending the approval of Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Purchase of Services from Computer Center

This item provides funding for the Department's share of statewide computer services provided by the Governor's Office of Information Technology (OIT).

Request: The Department requests \$50,584 General Fund for computer services provided by the General Government Computer Center. This appropriation reflects a proposed OIT common policy adjustment decrease of \$3,318.

Recommendation: Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Multiuse Network Payments

Funds in this line are used to reimburse OIT for the Department's share of the statewide multi-use network.

Request: The Department requests an appropriation of \$13,063 General Fund, which includes a proposed OIT common policy adjustment increase of \$1,788.

Recommendation: Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Capitol Complex Leased Space

This line item is used to pay the Department of Personnel for the costs of maintaining state buildings that are part of the capitol complex.

Request: The Department requests an appropriation of \$61,539 General Fund for 4,379 square feet of space it occupies in the State Capitol Building. The request reflects a proposed common policy decrease of \$7,478.

Recommendation: Staff recommends an appropriation for the purchase of a continuation level of square footage in the State Capitol Building. The rate for capitol complex leased space is pending Committee approval of common policy. Staff will reflect Committee common policy in the appropriation for this line item.

COFRS Modernization

This line item funds a project to replace the statewide accounting system (COFRS) used by the State Controller to record all state revenues and expenditures.

Request: The Department requests a continuation appropriation of \$101,116; including \$45,502 General Fund and \$55,614 cash funds from the Unclaimed Property Trust Fund.

Recommendation: Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Information Technology Security

Funds in this line are used to reimburse the Governor's Office of Information Technology for the Department's share of the information technology security system.

Request: The Department requests an appropriation of \$1,068 General fund, which includes a proposed OIT common policy adjustment increase of \$388.

Recommendation: Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Management and Administration of OIT

Funds in this line are used to reimburse the Governor's Office of Information Technology (OIT) for the Department's share of the management and administration of OIT.

Request: The Department requests an appropriation of \$3,147 General Fund, which includes a proposed OIT common policy adjustment increase of \$3,147.

Recommendation: Staff's recommendation is pending Committee common policy. Staff will reflect Committee common policy in the appropriation for this line item.

Charter School Facilities Financing Services

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

- A charter school may request that the Treasurer make direct payments of principal and interest on bonds issued on behalf of the school for the purpose of enhancing the ability of the school to obtain favorable financing terms pursuant to Section 22-30.5-406, C.R.S. The Treasurer is authorized to withhold, from the amount paid to the chartering district 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.² Any administrative costs withheld are deposited into the Charter School Financing Administrative Cash Fund. Moneys in this fund are continuously appropriated.

- Under the provisions of H.B. 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 \$1 per \$1,000 of the principal amount of the bonds outstanding 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 pursuant to 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.

Request: The Department request reflects an informational appropriation of \$5,000 cash funds from the Charter School Financing Administrative Cash Fund.

Recommendation: Staff recommends reflecting an appropriation of \$5,000 cash funds from the Charter School Financing Administrative Cash Fund.

Discretionary Fund

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

Request: The Department requests a continuation appropriation of \$5,000 General Fund.

Recommendation: Staff recommends a continuation appropriation of \$5,000 General Fund.

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

(2) Unclaimed Property Program

Background Information: The Department administers the state's 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 business 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 un-cashed checks and money orders, unclaimed stocks and securities, abandoned safety deposit box contents, dormant bank accounts, unclaimed utility deposits, unclaimed insurance benefits, unclaimed gift cards, un-cashed tax refunds, and intangible properties held by the courts, government agencies, and businesses.

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 pursuant to Section 38-13-116.5 (2), C.R.S.

In addition, pursuant to S.B. 04-256, the Treasury sells securities that have been held as unclaimed property for more than one year and deposits the 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, which is administered in the Department of Agriculture.

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 the principal in the Unclaimed Property Trust Fund. Section 38-13-116.5 (2) (d), C.R.S., provides that any moneys appropriated to the Department of the Treasury for the expenses of administering the program shall count as fiscal year spending under Section 6 or Article X (TABOR) of the State Constitution. 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 rules 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.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

Unclaimed Property Program						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	<u>\$1,970,848</u>	<u>\$0</u>	<u>\$1,970,848</u>	<u>\$0</u>	<u>\$0</u>	<u>15.5</u>
TOTAL	\$1,970,848	\$0	\$1,970,848	\$0	\$0	15.5
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$1,970,848	\$0	\$1,970,848	\$0	\$0	15.5
R1 LexisNexis Accurint Research Service	30,300	0	30,300	0	0	0.0
Annualize merit pay and salary survey	<u>33,595</u>	<u>0</u>	<u>33,595</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,034,743	\$0	\$2,034,743	\$0	\$0	15.5
Increase/(Decrease)	\$63,895	\$0	\$63,895	\$0	\$0	0.0
Percentage Change	3.2%	0.0%	3.2%	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$2,034,743	\$0	\$2,034,743	\$0	\$0	15.5
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

Issue Descriptions

R1 LexisNexis Accurint Research Service: The recommendation includes a \$30,300 increase in Cash Funds to purchase the Accurint Research Service to improve claims processing and auditing in the Unclaimed Property Program.

Annualize merit pay and salary survey: The recommendation includes an annualization for prior year merit pay and salary survey.

LINE ITEM DETAIL – UNCLAIMED PROPERTY PROGRAM

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 contributions. This line item also provides funding for certain professional and temporary services.

Request: The Department requests an appropriation of \$815,385 cash funds from the Unclaimed Property Trust Fund and 15.5 FTE; including an annualization of salary survey and merit pay.

Recommendation: Staff recommends an appropriation of \$815,385 cash funds from the Unclaimed Property Trust Fund and 15.5 FTE.

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Unclaimed Property Program, Personal Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$781,790	\$0	\$781,790	\$0	\$0	15.5
TOTAL	\$781,790	\$0	\$781,790	\$0	\$0	15.5
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$781,790	\$0	\$781,790	\$0	\$0	15.5
Annualize merit pay and salary survey	<u>33,595</u>	<u>0</u>	<u>33,595</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$815,385	\$0	\$815,385	\$0	\$0	15.5
Increase/(Decrease)	\$33,595	\$0	\$33,595	\$0	\$0	0.0
Percentage Change	4.3%	0.0%	4.3%	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$815,385	\$0	\$815,385	\$0	\$0	15.5
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

Operating Expenses

This line item provides funding for supplies and materials, as well as capital outlay,³ utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing.

Request: The Department requests an appropriation of \$162,169 cash funds from the Unclaimed Property Trust Fund. The request includes an increase of \$30,300 for R1.

➔ R1: LexisNexis Accurant Research Service

- The request includes an increase of \$30,300 cash funds from the Unclaimed Property Trust Fund.
- The additional dollars will be used to purchase the LexisNexis Accurant Research Service.
- The service includes verification and authentication functions that will decrease the claims processing time in the Unclaimed Property Program.
- The program processes an average of 17,900 claims per year.
- Due to an increase in citizen inquiries and claims, the average time required to process each claim has doubled from approximately 10 weeks to 20 weeks.
- Staff recommends approval of this request.

LexisNexis provides computer-assisted legal research services. According to the company's Unclaimed Funds Solutions Executive Summary, its data storehouse contains over 36 billion records from 20,000 disparate sources that map to 585 million unique identities. The technology provides a comprehensive set of tools that will support the Unclaimed Property Program's staff

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

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in locating owners and authenticating claimants. The solution will integrate with existing processes and implementation will result in minimal negative impact. Information provided by the department indicates that the solution will:

- Shorten unclaimed property distribution cycles;
- Increase the number of property owners who are located;
- Allow staff to proactively work to locate owners;
- Provide staff with complete, comprehensive, and accurate information; and
- Reduce the potential risk of fraud.

The solution will reduce the required number of contacts staff must make with each claimant to verify her identity by allowing claims that would have otherwise had to be handled manually, to be processed online for faster payment. In comparison with the current process, the service has the potential to reduce the average processing time by 30-50% depending upon claim type.

The department requests \$30,300 cash funds from the Unclaimed Property Fund to purchase the LexisNexis Accurint for Government and Batching [research] Services. The cost for this service is based on use and determined through fees associated with each inquiry. The most recent cost breakdown provided by the program director indicates the following fees:

- \$19,500 - Batching service, standard security user query: 13 users @ \$125.00 ea per month,
- \$10,800 – Individual input query: 24,000 @ \$0.45 ea.

There are no hosting, subscription, or maintenance fees associated with this service. The purchase of this service will not result in the need to increase or reduce FTE. The department believes this service will allow the division to perform its duties and mandated responsibilities in a faster, more efficient and more secure manner.

Recommendation: Staff recommends an appropriation of \$162,169 cash funds from the Unclaimed Property Trust Fund.

Unclaimed Property Program, Operating Expenses				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$131,869</u>	<u>\$0</u>	<u>\$131,869</u>	<u>0.0</u>
TOTAL	\$131,869	\$0	\$131,869	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$131,869	\$0	\$131,869	0.0
R1 LexisNexis Accurint Research Service	<u>30,300</u>	<u>0</u>	<u>30,300</u>	<u>0.0</u>
TOTAL	\$162,169		\$162,169	0.0
Increase/(Decrease)	\$30,300	\$0	\$30,300	0.0
Percentage Change	23.0%	0.0%	23.0%	0.0%
FY 2014-15 Executive Request:	\$162,169	\$0	\$162,169	0.0
Request Above/(Below) Recommendation	\$0		\$0	0.0

Background Information: The process whereby individuals are reunited with unclaimed property is defined in Section 38-13-110, C.R.S., and begins with the reporting of such by businesses and business associations; public institutions; non-profit entities; hospitals; estates; trusts; and any other legal or commercial entity. Reported property is received and logged by Unclaimed Property Program staff; and the program utilizes television, print, and internet advertising to notify the public. Individuals or businesses can perform an online search to determine if a name is on the list.

Pursuant to Section 38-13-119, C.R.S., claims submitted to the Unclaimed Property Program are required to be acted upon within 90 days of being filed. Department policy is to either pay or deny the claim within 180 days. From FY 2008-09 through FY 2012-13, staff of the Unclaimed Property Program processed an average of 17,900 claims per year. The simplest claims (type A) typically require one contact and an average of 5 minutes to process; claim type B requires approximately 2.5 contacts and an average of 12.5 minutes to process; claim type C requires approximately 4 contacts and an average of 20 minutes to process; and the most complex claim type (D) requires an average of six contacts per claim resulting in an average processing time of 30 minutes.

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 the 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 2012-13 of \$22.6 million, the appropriation could be set as high as \$450,000.

Request: The Department requests a continuation appropriation of \$200,000 cash funds from the Unclaimed Property Trust Fund.

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

Leased Space

This line item provides funding for the lease of 3,466 square feet of space at 1580 Logan Street for the Unclaimed Property program.

Request: The Department requests a continuation appropriation of \$57,189 cash funds from the Unclaimed Property Trust Fund.

Recommendation: Staff recommends an appropriation of \$57,189 cash funds from the Unclaimed Property Trust Fund.

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 12.0 percent of the value of any Colorado property identified. Pursuant to Section 38-13-116.5 (2) (b), C.R.S., moneys in the Unclaimed Property Trust Fund are continuously appropriated for the payment of services to contract auditors.

Request: The Department is reflecting funding for this line of \$800,000.

Recommendation: Staff recommends reflecting an appropriation of \$800,000 cash funds from the revenues collected by contract auditors.

(3) Special Purpose

This section of the Long Bill reflects disbursements the Treasurer is required to make, including the following: (1) reimbursements to local governments for property tax revenues foregone due to the senior citizen and disabled veteran property tax exemption; and (2) allocations of Highway Users Tax Fund (HUTF) revenues to local governments. The General Fund and General Fund Exempt appropriations for the senior citizen property tax exemption are not subject to the statutory restrictions on General Fund appropriations. The sources of cash funds are the Highway Users Tax Fund.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

	Special Purpose					FTE
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$491,350,880	\$130,521,079	\$360,829,801	\$0	\$0	0.0
Other legislation	<u>(61,832,773)</u>	<u>(25,321,079)</u>	<u>(36,511,694)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$429,518,107	\$105,200,000	\$324,318,107	\$0	\$0	0.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$429,518,107	\$105,200,000	\$324,318,107	\$0	\$0	0.0
Senior Citizen and Disabled Veteran Property Tax Exemption Adjustment	13,900,000	13,900,000	0	0	0	0.0
Highway Users Tax Fund Adjustment	<u>(10,488,719)</u>	<u>0</u>	<u>(10,488,719)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$432,929,388	\$119,100,000	\$313,829,388	\$0	\$0	0.0
Increase/(Decrease)	\$3,411,281	\$13,900,000	(\$10,488,719)	\$0	\$0	0.0
Percentage Change	0.8%	13.2%	(3.2%)	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$431,029,388	\$117,200,000	\$313,829,388	\$0	\$0	0.0
Request Above/(Below) Recommendation	(\$1,900,000)	(\$1,900,000)	\$0	\$0	\$0	0.0

Issue Descriptions

Senior Citizen and Disabled Veteran Property Tax Exemption Adjustment: The recommendation includes a \$13.9 million increase in General Fund for reimbursement to local governments for lost property tax revenues; based on the Legislative Council December 2013 forecast.

Highway Users Tax Fund (HUTF) Adjustment: The recommendation shows for informational purposes a \$10,488,719 decrease in cash funds for distribution to counties and municipalities of HUTF revenues.

LINE ITEM DETAIL – SPECIAL PURPOSE

Senior Citizen and Disabled Veteran Property Tax Exemption

This line item provides funding to reimburse local governments for property taxes foregone as a result of the Senior Citizen and Disabled Veteran Property Tax Exemption. The original exemption, authorized in Section 3.5 of Article X of the State Constitution, approved by the voters in 2000 and implemented in Sections 39-3-201 through 208, C.R.S., grants a property tax exemption to qualifying senior citizens⁴ equal to 50.0 percent of the first \$200,000 of residential property value. The State Treasurer is required to reimburse local governments for the resulting lost property tax revenues. Such payments are made from the General Fund, but are not subject to the statutory limit on General Fund appropriations pursuant to Article X, Section 3.5 (3) of the State Constitution:

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

Please note that the costs associated with the exemption are treated outside the statutory limits on state spending 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 \$44.1 million and that such an amount should be included for the purpose of calculating subsequent fiscal year spending limits. However, by the time the state was required to pay the first year reimbursement in April 2003, state revenues no longer exceeded the TABOR limit. Thus, this measure never increased the state's TABOR limit.

In the 2006 session, the General Assembly adopted S.C.R. 06-001 that 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 measure was passed by the voters and the General Assembly adopted H.B. 07-1251 during the 2007 session to implement this constitutional change. The expansion of the homestead exemption took effect for property tax years commencing on or after January 1, 2007.

The Constitution 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

⁴ Qualifications 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).

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General Assembly lowered this amount from \$200,000 to \$0 for property tax years 2003, 2004, and 2005, thus eliminating the associated state expenditures for fiscal years 2003-04, 2004-05, and 2005-06. State payments resumed in FY 2006-07.

In the 2009 session, the General Assembly again reduced the exemption for senior citizens to \$0, thus reducing state payments for FY 2009-10 to \$1.3 million for the disabled veterans exemption from a total of \$85.6 million in FY 2008-09. In the 2010 session, the General Assembly extended the suspension of the senior citizen exemption for two additional years, reducing state payments in FY 2010-11 and FY 2011-12.

Estimated expenditures are included in the Department of the Treasury's budget for informational purposes and are based on the estimates contained in Legislative Council Staff's Economic Forecasts.

Request: The Department's request reflects \$117.2 million General Fund for this line item based on the September 2013 forecast.

Recommendation: Staff recommends reflecting an appropriation of \$119.1 million General Fund based on Legislative Council Staff's December 2013 Economic Forecast. This informational appropriation is not subject to statutory limits on General Fund appropriations. Staff also requests permission to update, if necessary, the appropriation based on the March 2014 revenue projection that the Joint Budget Committee selects to use for balancing purposes.

Special Purpose, Senior Citizen and Disabled Veteran Property Tax Exemption					
	Total Funds	General Fund	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
SB 13-230 (Long Bill)	<u>\$105,200,000</u>	<u>\$105,200,000</u>	<u>\$0</u>	<u>\$0</u>	<u>0.0</u>
TOTAL	\$105,200,000	\$105,200,000	\$0	\$0	0.0
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	\$105,200,000	\$105,200,000	\$0	\$0	0.0
Senior Citizen and Disabled Veteran Property Tax Exemption Adjustment	<u>13,900,000</u>	<u>13,900,000</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$119,100,000	\$119,100,000	\$0	\$0	0.0
Increase/(Decrease)	\$13,900,000	\$13,900,000	\$0	\$0	0.0
Percentage Change	13.2%	13.2%	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$117,200,000	\$117,200,000	\$0	\$0	0.0
Request Above/(Below) Recommendation	(\$1,900,000)	(\$1,900,000)	\$0	\$0	0.0

Fire and Police Pension Association – Old Hire Plans

Background Information. Prior to FY 2013-14, Section 31-30.5-307, C.R.S., required the state to pay part of the unfunded liability of retirement plans that cover police and firefighters who were hired before 1978. These payments were made through annual transfers by the department from

the General Fund (Exempt) to the Fire and Police Pension Association (FPPA), the plan administrator. This annual General Fund transfer was included in the Long Bill for informational purposes; and the appropriation was not subject to the statutory limit on General Fund appropriations. The intended payoff of this liability was scheduled to terminate upon the retirement funds becoming fully funded based on an actuarially sound basis. Legislation resulting in payment reductions or suspensions shifted the targeted payoff from December 2009 to April 2019. As of May 31, 2013, the six remaining payments (April 2014 through April 2019) were calculated to total \$171,597,134. The total payoff as of May 31, 2013 was calculated at \$132,409,339.

Pursuant to S.B. 13-234, on May 31, 2013, the State Treasurer transferred \$132,409,339 from the General Fund to the FPPA in order to fully resolve the liability. This transfer served to satisfy all future payments to the fund; and upon this transfer, no other transfers will be made to the benefit plan. According to Section 24-75-200, C.R.S., the transfer reduced the amount of the General Fund surplus that would otherwise have been transferred to the State Education Fund. In order to reimburse this fund, the General Assembly established the following repayment schedule, including transfers from the General Fund to the State Education Fund.

Transfers to State Education Fund	
Schedule per S.B. 13-234	
(General Fund)	
Payment Date	Amount
April 2014 (FY 13-14)	45,321,079
April 2015 (FY 14-15)	25,321,079
April 2016 (FY 15-16)	25,321,079
April 2017 (FY 16-17)	25,321,079
April 2018 (FY 17-18)	25,321,079
April 2019 (FY 18-19)	24,991,739

Recommendation: No appropriation is necessary for FY 2014-15 as the liability has been resolved. The above background information has been provided as this line will continue to be reflected in the Department’s numbers pages.

CoverColorado

Background Information: From 1991 through 2013 annual transfers from the Unclaimed Property Trust Fund (UPTF) were made to CoverColorado, a nonprofit entity created by the General Assembly to offer health insurance coverage to people unable to obtain insurance at a reasonable cost or without significant exclusions.⁵ As a result of the passage of the federal Patient Protection and Affordable Care Act in 2010, and pursuant to H.B. 13-1115,

⁵ Section 10-5-502, C.R.S.

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CoverColorado was repealed and the transmission of moneys to CoverColorado from the UPTF ended effective May 1, 2013. The bill further required CoverColorado to transfer \$15.0 million to the UPTF. Pursuant to H.B. 13-1245, these funds were subsequently transferred to Connect for Health Colorado, the state’s health benefit exchange, on July 1, 2013. H.B. 13-1115 requires that 25 percent of CoverColorado’s remaining funds be transferred to the exchange by March 31, 2015. CoverColorado estimates the transfer to be approximately \$8.8 million.

Recommendation: With the repeal of CoverColorado, no appropriation is necessary for FY 2014-15. The above background information has been provided as this line will continue to be reflected in the Department’s numbers pages.

Highway Users Tax Fund – County Payments

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 administration⁶ of the county highway systems and any other public highways.

Request: The Treasurer's budget request included estimated distributions to counties totaling \$186,328,712 cash funds for FY 2014-15, including a decrease of \$6,577,456 cash funds based on actual expenditures and Legislative Council’s September 2013 forecast.

Recommendation: Staff recommends reflecting an appropriation of \$186,328,712 cash funds from the Highway Users Tax Fund in the Long Bill for informational purposes.

Special Purpose, Highway Users Tax Fund - County Payments				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$192,906,168</u>	<u>\$0</u>	<u>\$192,906,168</u>	<u>0.0</u>
TOTAL	\$192,906,168	\$0	\$192,906,168	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$192,906,168	\$0	\$192,906,168	0.0
Highway Users Tax Fund Adjustment	<u>(6,577,456)</u>	<u>0</u>	<u>(6,577,456)</u>	<u>0.0</u>
TOTAL	\$186,328,712		\$186,328,712	0.0
Increase/(Decrease)	(\$6,577,456)	\$0	(\$6,577,456)	0.0
Percentage Change	(3.4%)	0.0%	(3.4%)	0.0%
FY 2014-15 Executive Request:	\$186,328,712	\$0	\$186,328,712	0.0
Request Above/(Below) Recommendation	\$0		\$0	0.0

⁶ 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 available funds.

Highway Users Tax Fund – Municipality Payments

This line item provides an estimate of the amount that will be distributed to municipalities from the HUTF. Cities and incorporated towns are required to use such funds for the construction, engineering, reconstruction, maintenance, repair, equipment, improvement, and administration⁶ of the system of municipal streets or any other public highways located in the municipality.

Request: The Treasurer's budget request included estimated distributions to municipalities totaling \$127,500,676 cash funds for FY 2014-15, including a decrease of \$3,911,263 cash funds based on actual expenditures and Legislative Council's September 2013 forecast.

Recommendation: Staff recommends reflecting an appropriation of \$127,500,676 cash funds from the Highway Users Tax Fund in the Long Bill for informational purposes.

Special Purpose, Highway Users Tax Fund - Municipality Payments				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$131,411,939</u>	<u>\$0</u>	<u>\$131,411,939</u>	<u>0.0</u>
TOTAL	\$131,411,939	\$0	\$131,411,939	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$131,411,939	\$0	\$131,411,939	0.0
Highway Users Tax Fund Adjustment	<u>(3,911,263)</u>	<u>0</u>	<u>(3,911,263)</u>	<u>0.0</u>
TOTAL	\$127,500,676		\$127,500,676	0.0
Increase/(Decrease)	(\$3,911,263)	\$0	(\$3,911,263)	0.0
Percentage Change	(3.0%)	0.0%	(3.0%)	0.0%
FY 2014-15 Executive Request:	\$127,500,676	\$0	\$127,500,676	0.0
Request Above/(Below)				
Recommendation	\$0		\$0	0.0

Long Bill Footnotes and Requests for Information

LONG BILL FOOTNOTES

Staff recommends not including any footnotes for the Department of the Treasury.

LEGISLATIVE REQUESTS FOR INFORMATION

Staff recommends the following written request for information be **continued**:

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

Indirect Cost Assessment Methodology

The Department is a central services agency and therefore its departmental indirect costs are included within the Statewide Indirect Cost Plan.

JBC Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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DEPARTMENT OF THE TREASURY Walker Stapleton, State Treasurer

(1) ADMINISTRATION

Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.

Personal Services	<u>1,228,479</u>	<u>1,265,330</u>	<u>1,294,244</u>	<u>1,337,464</u>	<u>1,337,464</u>
FTE	14.5	14.4	16.4	16.4	16.4
General Fund	275,680	293,863	221,520	384,508	384,508
Cash Funds	952,799	971,467	1,072,724	952,956	952,956
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
 Health, Life, and Dental	 <u>133,685</u>	 <u>176,727</u>	 <u>205,040</u>	 <u>247,092</u>	 <u>238,320</u>
General Fund	35,082	86,325	95,536	113,511	110,313
Cash Funds	98,603	90,402	109,504	133,581	128,007
 Short-term Disability	 <u>2,751</u>	 <u>2,925</u>	 <u>3,626</u>	 <u>4,329</u>	 <u>4,299</u>
General Fund	1,524	1,698	2,275	2,711	2,692
Cash Funds	1,227	1,227	1,351	1,618	1,607
 S.B. 04-257 Amortization Equalization					
Disbursement	<u>43,873</u>	<u>53,086</u>	<u>68,330</u>	<u>78,713</u>	<u>78,155</u>
General Fund	24,461	30,614	42,694	49,007	48,881
Cash Funds	19,412	22,472	25,636	29,706	29,274

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
S.B. 06-235 Supplemental Amortization					
Equalization Disbursement	<u>35,227</u>	<u>45,560</u>	<u>61,551</u>	<u>73,794</u>	<u>73,271</u>
General Fund	19,628	26,248	38,407	45,944	45,826
Cash Funds	15,599	19,312	23,144	27,850	27,445
Salary Survey	<u>0</u>	<u>0</u>	<u>57,620</u>	<u>44,764</u>	<u>63,445</u>
General Fund	0	0	34,834	21,063	39,733
Cash Funds	0	0	22,786	23,701	23,712
Merit Pay	<u>0</u>	<u>0</u>	<u>34,197</u>	<u>36,483</u>	<u>36,222</u>
General Fund	0	0	19,956	21,786	21,735
Cash Funds	0	0	14,241	14,697	14,487
Workers' Compensation and Payment to Risk Management and Property Funds	<u>1,769</u>	<u>2,267</u>	<u>2,258</u>	<u>2,792</u>	<u>2,792</u>
General Fund	1,769	2,267	2,258	2,792	2,792
Operating Expenses	<u>169,322</u>	<u>158,022</u>	<u>182,798</u>	<u>184,734</u>	<u>184,734</u> *
General Fund	169,322	158,022	182,798	184,734	184,734
Information Technology Asset Maintenance	<u>5,131</u>	<u>6,025</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>
General Fund	0	0	6,284	6,284	6,284
Cash Funds	5,131	6,025	6,284	6,284	6,284
Legal Services	<u>43,534</u>	<u>32,807</u>	<u>52,371</u>	<u>52,371</u>	<u>52,371</u> P
General Fund	21,767	10,597	26,186	26,186	26,186
Cash Funds	21,767	22,210	26,185	26,185	26,185

P This item pending

*This line item contains a decision item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
Purchase of Services from Computer Center General Fund	<u>132,060</u> 132,060	<u>10,673</u> 10,673	<u>53,902</u> 53,902	<u>50,584</u> 50,584	<u>50,584</u> P 50,584
Colorado State Network General Fund	<u>0</u> 0	<u>1,149</u> 1,149	<u>11,275</u> 11,275	<u>13,063</u> 13,063	<u>13,063</u> P 13,063
Capitol Complex Leased Space General Fund	<u>55,297</u> 55,297	<u>54,835</u> 54,835	<u>69,017</u> 69,017	<u>61,539</u> 61,539	<u>61,539</u> P 61,539
COFRS Modernization General Fund	<u>0</u> 0	<u>101,116</u> 45,502	<u>101,116</u> 45,502	<u>101,116</u> 45,502	<u>101,116</u> P 45,502
Cash Funds	0	55,614	55,614	55,614	55,614
Information Technology Security General Fund	<u>0</u> 0	<u>0</u> 0	<u>680</u> 680	<u>1,068</u> 1,068	<u>1,068</u> P 1,068
Management and Administration of OIT General Fund	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>3,147</u> 3,147	<u>3,147</u> P 3,147
Charter School Facilities Financing Services Cash Funds	<u>3,209</u> 3,209	<u>3,454</u> 3,454	<u>5,000</u> 5,000	<u>5,000</u> 5,000	<u>5,000</u> 5,000
Discretionary Fund General Fund	<u>1,559</u> 1,559	<u>736</u> 736	<u>5,000</u> 5,000	<u>5,000</u> 5,000	<u>5,000</u> 5,000

P This item pending

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
TOTAL - (1) Administration	1,855,896	1,914,712	2,220,593	2,315,621	2,324,158
<i>FTE</i>	<u>14.5</u>	<u>14.4</u>	<u>16.4</u>	<u>16.4</u>	<u>16.4</u>
General Fund	738,149	722,529	858,124	1,038,429	1,053,587
Cash Funds	1,117,747	1,192,183	1,362,469	1,277,192	1,270,571
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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(2) UNCLAIMED PROPERTY PROGRAM

This program collects unclaimed property and attempts to locate and return unclaimed properties to the legal owners or heirs. Funding source is the Unclaimed Property Trust Fund.

Personal Services	<u>686,392</u>	<u>753,004</u>	<u>781,790</u>	<u>815,385</u>	<u>815,385</u>
FTE	10.6	13.8	15.5	15.5	15.5
General Fund	0	0	0	0	0
Cash Funds	686,392	753,004	781,790	815,385	815,385
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Operating Expenses	<u>115,498</u>	<u>116,166</u>	<u>131,869</u>	<u>162,169</u>	<u>162,169</u> *
Cash Funds	115,498	116,166	131,869	162,169	162,169
Promotion and Correspondence	<u>194,387</u>	<u>198,003</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Cash Funds	194,387	198,003	200,000	200,000	200,000
Leased Space	<u>46,059</u>	<u>49,460</u>	<u>57,189</u>	<u>57,189</u>	<u>57,189</u>
General Fund	0	0	0	0	0
Cash Funds	46,059	49,460	57,189	57,189	57,189
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Contract Auditor Services	<u>719,085</u>	<u>1,215,292</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Cash Funds	719,085	1,215,292	800,000	800,000	800,000

*This line item contains a decision item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
TOTAL - (2) Unclaimed Property Program	1,761,421	2,331,925	1,970,848	2,034,743	2,034,743
<i>FTE</i>	<u>10.6</u>	<u>13.8</u>	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>
General Fund	0	0	0	0	0
Cash Funds	1,761,421	2,331,925	1,970,848	2,034,743	2,034,743
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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(3) SPECIAL PURPOSE

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

Senior Citizen and Disabled Veteran Property Tax

Exemption	<u>1,752,486</u>	<u>102,674,552</u>	<u>105,200,000</u>	<u>117,200,000</u>	<u>119,100,000</u>
General Fund	1,752,486	102,674,552	105,200,000	117,200,000	119,100,000
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

Fire and Police Pension Association - Old Hire
Plans

	<u>5,321,079</u>	<u>142,409,339</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	0	0	0	0	0
General Fund Exempt	5,321,079	142,409,339	0	0	0

CoverColorado

Cash Funds	<u>37,347,125</u>	<u>32,170,565</u>	<u>0</u>	<u>0</u>	<u>0</u>
	37,347,125	32,170,565	0	0	0

Highway Users Tax Fund - County Payments

Cash Funds	<u>187,067,783</u>	<u>184,663,051</u>	<u>192,906,168</u>	<u>186,328,712</u>	<u>186,328,712</u>
	187,067,783	184,663,051	192,906,168	186,328,712	186,328,712

Highway Users Tax Fund - Municipality Payments

Cash Funds	<u>127,434,702</u>	<u>126,360,900</u>	<u>131,411,939</u>	<u>127,500,676</u>	<u>127,500,676</u>
	127,434,702	126,360,900	131,411,939	127,500,676	127,500,676

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
TOTAL - (3) Special Purpose	358,923,175	588,278,407	429,518,107	431,029,388	432,929,388
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	1,752,486	102,674,552	105,200,000	117,200,000	119,100,000
General Fund Exempt	5,321,079	142,409,339	0	0	0
Cash Funds	351,849,610	343,194,516	324,318,107	313,829,388	313,829,388
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
TOTAL - Department of the Treasury	362,540,492	592,525,044	433,709,548	435,379,752	437,288,289
<i>FTE</i>	<u>25.1</u>	<u>28.2</u>	<u>31.9</u>	<u>31.9</u>	<u>31.9</u>
General Fund	2,490,635	103,397,081	106,058,124	118,238,429	120,153,587
General Fund Exempt	5,321,079	142,409,339	0	0	0
Cash Funds	354,728,778	346,718,624	327,651,424	317,141,323	317,134,702
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0