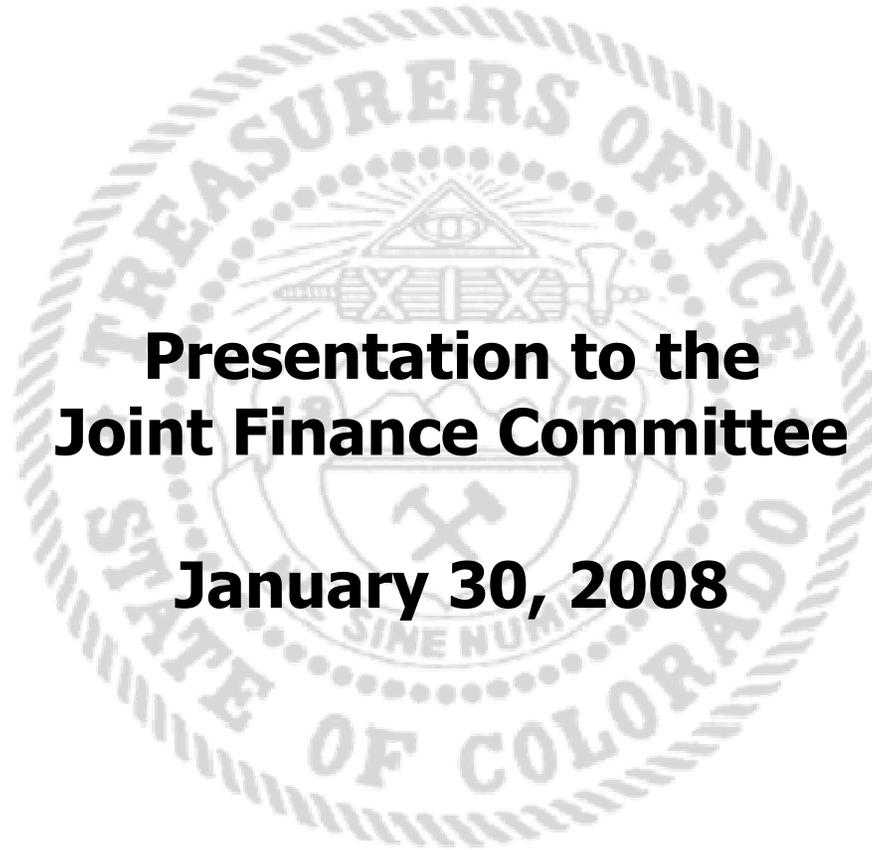


**COLORADO DEPARTMENT OF THE TREASURY**



**Presentation to the  
Joint Finance Committee**

**January 30, 2008**

**Cary Kennedy, Colorado State Treasurer**

**140 State Capitol**

**Denver, Colorado 80203**

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**[www.colorado.gov/treasury](http://www.colorado.gov/treasury)**



# Mission Statement

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*TO SAFEGUARD AND MANAGE THE  
PEOPLE'S MONIES WITH THE SAME  
DILIGENCE AND CARE AS IF IT WERE  
OUR OWN.*



# Revenue Update

- December General Fund Revenues are on track with projections.
- **Actual** monthly cash flow receipts are now available on Treasury's website.

	December Estimate	December Actual
Sales and Use Tax	112.8M	158.4M
Income Tax	376.8M	362.9M
Corporate Income Tax	94M	82.8M



# Financial Update

- State's financial position remains strong
  - State net assets increased 7.94% in 2006 and 7.0% in 2007.
    - increases in cash balances, investments, infrastructure, and land value.
  - Treasury Pool has a market value of \$5.66 billion up from \$5.1 billion in FY 2007 and exceeded FY 2008 earnings benchmark YTD as of December 31, 2007.
  - Treasury is not invested in subprime-backed investments or structured investment vehicles (SIVs).
  - Concerns about inadequate reserves.



# Treasury Divisions

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- Operations
  - Investments
  - Accounting
  - Cash Management
- Unclaimed Property



# Treasury: Total Budget

- FY 2007-08 Operating Budget
  - Appropriation for Operations: \$1,676,802
    - \$848,970 General Fund
    - \$723,667 from Cash Fund Transaction Fees
    - 16 Treasury FTE, including Treasurer
  - Unclaimed Property Division (cash funded): \$1,780,355
    - 10 Unclaimed Property FTE



# Investments

- **Market Value of five largest funds currently under management (12/31/07)**
  - T-Cash/T-Pool – \$5.7B, 4.8% yield
  - Public School – \$528.7M, 5.2% yield
  - State Education – \$427.3M, 4.9% yield
  - Unclaimed Property Tourism Promotion Trust Fund - \$65.7M, 5.1% yield
  - Major Medical Insurance Fund - \$98.7M, 5.1% yield
- **Total interest earnings FY 2006-07 for all funds: \$313.8M**



# Accounting

- Accounts for all cash received by the State
- Ensures liquidity to meet daily payments
- Accounted for over 508,000 checks (\$600.8M) and \$18.6B in electronic deposits during FY 2006-07
- Disbursed \$1.4B in funds to counties, municipalities, schools and state agencies in FY 2006-07
- Distributed \$190.9M in interest income to eligible funds during FY 2006-07
- \$1,092.4M of Surety & Performance Bonds in safekeeping as of 12/31/07

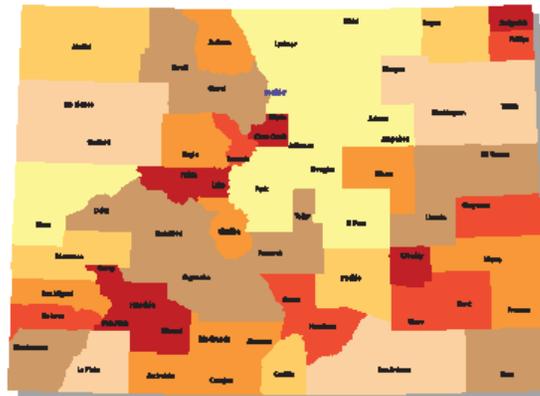


# Treasury: Distributions

- HUTF for FY 2006-07:
  - HUTF includes CDOT and other state agencies, 62 Colorado counties and 270 incorporated municipalities
  - CDOT: \$914.3M
  - Department of Public Safety: \$82.7M
  - Department of Revenue: \$13.4M
  - Counties: \$170.8M
  - Cities: \$110.6M
- Federal Mineral Lease Distributions
  - Total: \$123.0M



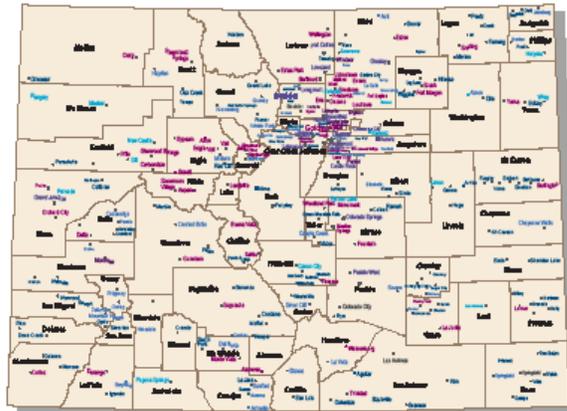
# Treasury: New Website Maps



Highway Users Tax Fund Distributions:  
Distributions to Counties and Cities  
2006-2007 Fiscal Year

Amount Distributed to Counties

- \$1 – \$1,000,000
- \$1,000,001 – \$1,500,000
- \$1,500,001 – \$2,000,000
- \$2,000,001 – \$2,500,000
- \$2,500,001 – \$3,000,000
- \$3,000,001 – \$5,000,000
- \$5,000,001 – \$11,987,263



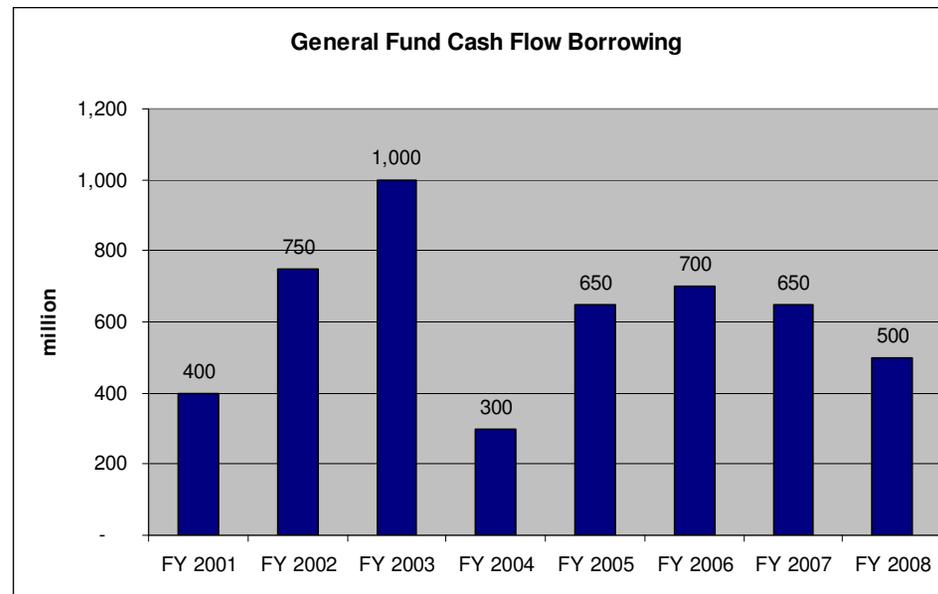
Amount Distributed to Cities

- \$1 – \$35,000
- \$35,001 – \$70,000
- \$70,001 – \$100,000
- \$100,001 – \$500,000
- \$500,001 – \$1,000,000
- \$1,000,001 – \$22,106,824



# Cash Management

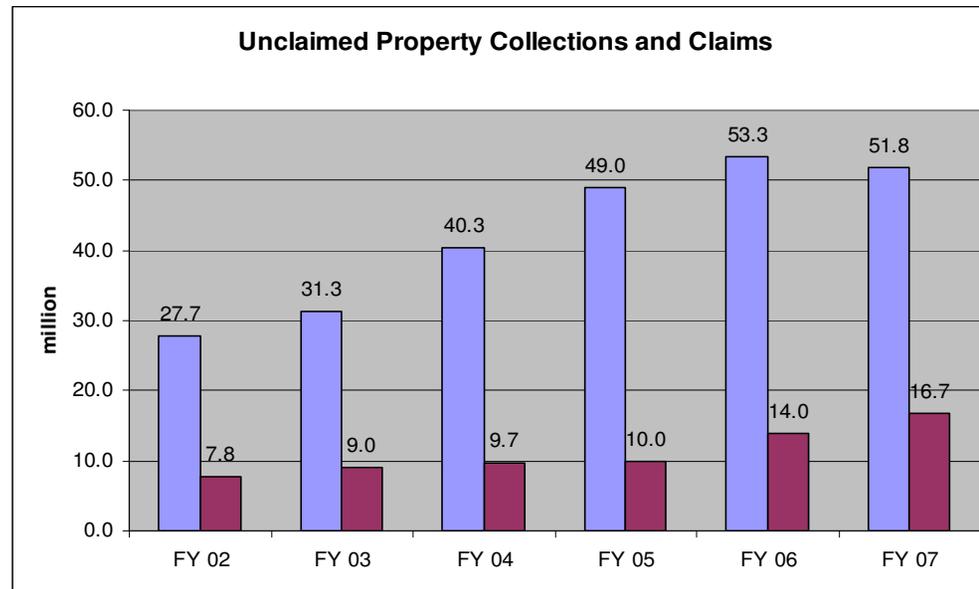
- Issued Series 2007A Revenue Anticipation Notes to manage cash flows
- Received highest possible ratings on notes
  - F1+ from Fitch Ratings
  - SP-1+ from Standard & Poor's
  - MIG-1 from Moody's
- Competitive online bidding used; 2007A interest cost on notes 3.71 percent





# Unclaimed Property Program

- Mission of the program is to reunite lost or forgotten assets with their rightful owners
- Fiscal Year 2006-07
  - Total Collections: \$51.8M
  - Total Returned to Citizens and Businesses: \$16.7M



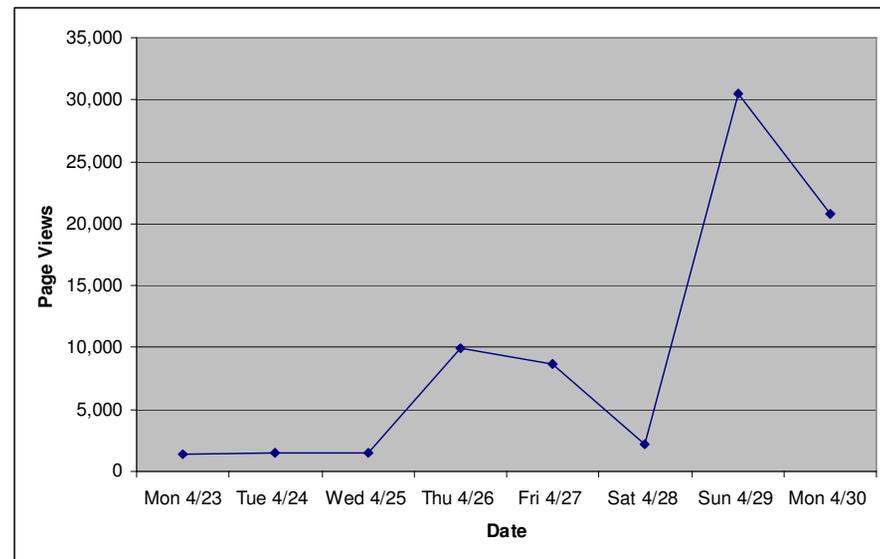


# Unclaimed Property (cont.)

## ■ Fiscal Year 2006-07

Number of inquiries: 64,167  
Number of claims processed: 8,794  
Number of safe deposit items reported: 1,847  
Number of safe deposit items returned: 323  
Number of safe deposit items sold (amount received): 127 (\$24,745)  
Advertising Budget: \$150,000

## Unclaimed Property Website





# Unclaimed Property and CoverColorado Funding

## Unclaimed Property Fund\*

Summary Through FY 2007

Total revenues plus interest to Fund since inception:	\$444.1 million
<hr/>	
Total claims paid since inception:	\$118.5 million
<hr/>	
Total transfers to GF since inception:	\$115.5 million*
Total transfers to CoverColorado since inception:	\$53.2 million
Other transfers:	\$16.6 million
<i>TOTAL transfers:</i>	<i>\$185.3 million</i>
<b>UP Trust Fund Balance:</b>	<b><u>\$140.3 million</u></b>

\*The Unclaimed Property Trust Fund was created as of July 1, 2001. Prior to this moneys were distributed to other funds including the General Fund.



# Unclaimed Property and CoverColorado Funding – cont.

CoverColorado Funding mechanism set by Senate Bill 04-211

	CoverColorado Enrollees	CoverColorado Claims	Carrier Assessment	Unclaimed Property Transfers to CoverColorado
FY2005	4,757	32,105,450	53,951	1,744,193
FY2006	4,998	34,614,391	10,074	7,232,579
FY2007	5,588	44,990,884		9,307,646
FY2008	7,081	65,361,716		21,146,504
FY2009	8,424	86,656,530		48,722,043
FY2010	9,693	111,238,048		60,205,374
FY2011	10,827	139,356,559	71,760,337	53,320,397
FY2012	11,942	172,545,569	103,129,389	32,665,466



# Unclaimed Property (cont.)

## ■ Tourism Promotion

- Senate Bill 04-256 authorized the Treasurer to sell unclaimed securities held more than one year
- Sale proceeds are deposited in Tourism Promotion Trust Fund
- Interest earned is designated for tourism promotion
- FY 2005-06 total disbursements - \$3.0M
- FY 2006-07 total disbursements - \$3.3M
- FY 2007-08 disbursements through 12/31/07 - \$1.7M



# Treasury Programs

- **Elderly Property Tax Deferral Program**
  - New applications in FY 2006-07: 293
  - Total number of current participants: 335
  - Total lent to elderly homeowners:
    - FY 2006-07 - \$545K
    - FY 2005-06 - \$645K
  - Total loans outstanding at 06/30/07: \$4.5M
  - Current interest rate - 4.63%
  
- **Senior Citizens Property Tax Exemption Program**
  - FY 2006-07 Payments - \$74.2M
  - Estimated FY 2007-08 Payments - \$76.2M
  - Requested FY 2008-09 Appropriation - \$77.2M



# Treasury Programs (cont.)

- Interest-Free School Loan Program
  - This is the fifth year of separate borrowing to fund cash flow deficits for school districts
  - \$150M in notes sold 7/16/07 at 3.76% to fund the Interest-Free School Loan Program
  - An additional issue of \$310M was sold 12/19/07 at 2.92%
  - There are 16 school districts participating
    - Largest: Denver Public Schools - \$178.6M – estimate for FY 2007-08



# Treasury Programs (cont.)

- Interest-Free School Loan Program (cont.)
  - All participating school districts are using a common spreadsheet developed by the financial advisor for the program to produce an annual pro-forma cash flow forecast before the notes are issued
  - The spreadsheets are updated monthly and reviewed by both the financial advisor and Treasury
  - The spreadsheets produce variance reports if there is a material variation between the forecast and actual cash flows
  - IRS closed an audit that upheld tax exempt status for the 2004B notes



# Treasury Programs (cont.)

- **Bond Intercept Program**
  - By statute, program ensures full and timely payment of school debt
  - Number of bond issues: 431
  - \$7.4B outstanding at 12/31/07
  
- **Charter School Bond Intercept Program**
  - Enhances ability of charter schools to obtain financing
  - Currently 39 charter schools in program
  - 24 schools also part of the Moral Obligation Program
    - Participants pay into fund to offset bonds if a school defaults
    - State may also enact legislation to pay for defaulted bonds
    - Provides better rates on bonds
    - \$296.9M outstanding at 12/31/07, cap of \$400M



# Treasury Initiatives - 2008

## ■ Increase Savings

- 15 years ago Colorado held in excess of 10% of the operating budget in reserve; today it holds only 4%
- The average among states is 7%
- Efforts to raise the general fund reserve requirement (and reduce HB 1310 transfer) have failed in the past

### **Two Recommendations to Increase State Savings:**

- Delay HB 1310 transfer by 6 months
- Raise cap on cash fund balances above two months spending reserve



# Treasury Initiatives - 2008

- Protect Taxpayer's Money
  - Terminate Securities Lending program effective December 18, 2007
    - In place since 1996
    - \$1.8 billion on loan in 2007
    - Unprecedented losses taken by financial institutions caused illiquidity in the commercial paper market
    - No longer comfortable with the valuation of collateral
    - Risk outweighed expected return



# Treasury Initiatives - 2008

- Improve the Transparency of State Finances
  - State Taxpayer Accountability Report (STAR)
  - New “one-stop” website for information on how tax dollars are used **is now available:**
    - Colorado’s credit rating and related reports
    - All borrowing (terms, rating, debt service)
    - Monthly General Fund cash flow statements (actual)
    - List of state investments (by CUSIP)
    - Daily balance sheet
    - Maps of distributions to local governments
  - Next Steps: Interactive “taxpayer profile” for Colorado taxpayers



# Treasury Initiatives - 2008

- Provide funding for K-12 capital construction
  - Build Excellent Schools Today – “BEST”
  - Nearly half of all school districts in Colorado do not have bonding capacity to build/replace one building
  - Replace aging and deteriorating school buildings in poor, primarily rural, areas of the state
  - Dedicate 35% of school trust revenues to assist districts with low per-pupil property values
  - Pay off Giradino lawsuit obligation