

**DEPARTMENT OF THE TREASURY
FY 2009-10 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Tuesday, November 17, 2008
3:30 pm – 5:00 pm**

INTRODUCTIONS AND OPENING COMMENTS

DEPARTMENT OVERVIEW

1. Will the reduction in cyber-security expenses expose the State to any additional risk? Has the Governor's Office of Information Technology been involved in the process?

Treasury's cyber-security operations are maintained by the Governor's Office of Information Technology (OIT). OIT has been involved in every step of the process in making determinations about what funds are necessary for the Department's cyber-security.

Following the recommendations of OIT staff, Treasury completed a risk-gap analysis and submitted a new cyber-security plan. Treasury believes that in working with OIT, the requirements for full compliance can be completed for less than was initially anticipated. OIT will help Treasury focus on policy development, training, testing and monitoring, and a yearly system audit with the remaining \$26,488 appropriation. Treasury would not propose cuts to the cyber-security budget if OIT indicated that cyber-security was compromised in any way.

2. Discuss the Treasurer's role in managing the State's credit cards.

State statute C.R.S. 24-19.5-101 et seq. authorizes State agencies to accept alternative forms of payment such as credit cards for the purchase of documents and government services utilizing services under a Master Service Agreement (MSA) implemented by the Colorado State Treasurer. Local governments may also utilize payment services under an MSA.

A Request for Proposal (RFP) for credit card processing services was issued in February, 2009 by the State Treasurer's Office, in conjunction with the University of Colorado Treasury. A contract with Wells Fargo was signed at the end of October following the competitive bid process.

3. Is the Treasurer the only department in the State that issues checks?

State warrants and electronic fund transfers are processed by each State agency and issued through the Office of the State Controller. The Treasurer's Office monitors and reconciles the activity in the State's bank account.

NUMBERS PAGES

4. How is the property tax deferral program financed? Are there any costs associated with this program? Is there an increase in the usage of the program because of the suspension of the Senior Citizen Property Tax Program?

State statute C.R.S. 39-3.5-105.5 changed the funding of this program from a General Fund appropriation to an investment as a loan to the taxpayer. Liens are placed on the property, and interest is calculated annually. The interest rate floats with the 10 year Treasury note, changing each year in February. The current rate is set at 3.75%. There are no limits to the number of applications the Department may receive; and there are limited eligibility requirements. As of June 30, 2009, Treasury has 506 participants in the program with a total outstanding principal balance of \$4.4 million.

Personal services costs of \$10,403 are associated with this program.

For FY 2008-09, before suspension of the Senior Citizen Property Tax Exemption Program, 391 applications were accepted with a payment of \$925,807 made to the counties. Using projections based on the last suspension in FY 2003-04, when applications increased 62% and payment to the counties increased 96%, we would anticipate a total of 633 applications and estimate \$1.8 million in payments to the counties.

COVERCOLORADO

5. What does short-term recommendation #1 mean?

To be provided by CoverColorado

6. Does CoverColorado have any information on guaranteed issue? What did the task force say about the issue?

To be provided by CoverColorado

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

QUESTIONS COMMON TO ALL DEPARTMENTS

Please provide:

1. Organizational charts for your department, showing divisions and subdivisions (with geographic locations).

See attached

2. Definitions of the roles and missions of your department, its divisions and subdivisions.

ADMINISTRATION

The State Treasurer and her staff serve the citizens of Colorado by providing banking and investment services for all funds deposited with the state treasury.

- ***Administrative:*** The operations of Treasury's front office focus on State Certificates of Participation financing, financial data compilation and dissemination, policies, and legislative work.
- ***Investments:*** The Investment section manages five distinct investment portfolios with the primary objectives, in order of importance, legality, safety, liquidity and yield. As funds are deposited with the Treasury, the investment officers invest them in statutorily authorized investments. Simultaneously, the investment officers ensure that sufficient funds are maintained in cash accounts to meet the State's daily cash needs. The income earned on Treasury's investments augments the State's revenues from taxes and fees and decreases the tax burden on Colorado's citizens.
- ***Accounting:*** On a daily basis, the accounting section records and reconciles all the cash that flows into and out of the State's operating account, providing cashier services for State agencies. The cashiers are responsible for daily tracking of all cash receipts, monitoring all the deposits made by other agencies in the State's operating account, updating the State's bank balances throughout the day, and initiating electronic transfers from the State to recipients of state and fiduciary funds.

The accounting section's Cash Manager manages the State's banking service agreements; is the State's administrator for the Cash Management Improvement Act agreement with the Federal Government; and prepares requests-for-proposals and negotiates and finalizes the contracts for professional advisors assisting in the Treasury's annual note issuances, and for other services bid out by the Treasury in a given year.

UNCLAIMED PROPERTY

The Unclaimed Property program was established in 1987 by HB 87-1376 to locate owners of dormant or abandoned property and return their property to them.

- ***Claims:*** The claims section assists Colorado citizens with their inquiries and the subsequent return of their property, if applicable.
- ***Compliance:*** The compliance section assists holders of unclaimed property with their report submissions to the State.
- ***Auditing:*** The auditing section is charged with ensuring holder compliance with the reporting requirements of the Unclaimed Property Act.

3. The number of current personnel and the number of assigned FTE by division and subdivision (with geographic locations), including all government employees and on-site contractors.

ADMINISTRATION (16.0 FTE), 140 State Capitol, Denver, CO

- **Treasurer (1.0 FTE)**
- **Deputy Treasurer (1.0 FTE)**
- **Administrative (2.0 FTE)**
- **Investments (3.0 FTE)**
- **Accounting (9.0 FTE)**

UNCLAIMED PROPERTY (15.5 FTE), 1580 Logan St., Denver, CO

- **Program Director (1.0 FTE)**
- **Compliance (5.0 FTE, 2.0 currently vacant)**
- **Claims (5.5 FTE, 2.5 currently vacant)**
- **Auditing (4.0 FTE, 1.0 currently vacant)**

4. A specific list of names, salaries, and positions by division and subdivision of any salaried officer or employee making over \$95,000 per year in FY 2009-10.

The following five positions are partially paid with General Fund dollars and partially cash funded:

- **Helen Dibartolomeo, Chief Investment Officer, \$110,304**
- **Sandy Hall, Investment Officer, \$97,236**
- **Marilyn Radovich, Investment Officer, \$97,260**
- **Eric Rothaus, Deputy Treasurer, \$95,424**
- **Charles Scheibe, Chief Financial Officer, \$112,044**

Patty White, Director, Division of Unclaimed Property, \$103,272 (this position is cash funded)

5. A specific list of names, bonuses, and positions by division and subdivision of any salaried officer or employee making over \$95,000 per year who received any bonuses in FY 2009-10.

None

6. Numbers and locations of any buildings owned or rented by any division or subdivision (by location) and the annual energy costs of all buildings.

None

7. Any real property or land owned, managed, or rented by any division or subdivision (by geographic location).

The Division of Unclaimed Property rents office space at 1580 Logan St., Denver, CO.

8. List essential computer systems and databases used by the department, its divisions and subdivisions, with their actual FY 2008-09 expenditures.

- **Bloomberg Investment Terminals -- \$65,340 minus \$9,831 to debt issuances totals \$55,509**
- **BondEdge Investment Software -- \$37,903 minus \$4,518 to debt issuances totals \$33,385**
- **S&P Credit Research Service -- \$11,900 minus \$1,788 to debt issuances totals \$10,112**
- **Tradeweb Online Bond Market -- \$8,400**
- **Moody's Short Term Credit Service -- \$2,400**
- **JPMorgan Investment Accounting System (netted against interest revenue) -- \$56,009**
- **Wagers Unclaimed Property Database (cash funded) -- \$37,969**

9. Any actual FY 2008-09 expenditures over \$100,000 total from the department or from its divisions and subdivisions to any private contractor, identifying the contract, the project, and whether the contracts were sole-source or competitive bid.

SOLE SOURCE:

The annual Denver Post publication for the Unclaimed Property Division cost the department \$108,000 (this expenditure is cash funded).

COMPETITIVE BID:

The Unclaimed Property Division's third party auditors cost the department as follows (these expenditures are cash funded)–

- 1) **Affiliated Computer Services (ACS) \$519,301**
- 2) **Audit Services, US (ASUS) \$151,349**

Banking Services costs for the State were as follows (netted against interest revenue) –

- 1) **Chase \$900,844**
- 2) **Wells Fargo \$252,902**
- 3) **Key Bank \$403,328**

Additionally, during FY 2008-09, Treasury entered into competitively bid contracts with several vendors in relation to financing (notes and certificates of participation) performed on behalf of the State and paid out of proceeds. Detailed information can be provided upon request.

10. The amount of actual FY 2008-09 expenditures for any lobbying, public relations, gifts, public advertising, or publications including:

a. expenditures for lobbying by public employees, contract lobbyists, or "think tanks;"

\$14,720 (a portion of the Director of Initiative's salary)

b. expenditures for lobbying purposes at other levels of government;

None

c. expenditures for lobbying purposes from grants, gifts, scholarships, or tuition;

None

d. expenditures for publications or media used for lobbying purposes;

None

e. expenditures for gratuities, tickets, entertainment, receptions or travel for purposes of lobbying elected officials; or

None

f. expenditures for any public advertising. Include all advertising campaigns, including those that are not for public relations.

\$150,010 to advertise the Great Colorado Payback (this expenditure is cash funded)

11. List of all boards, commissions, and study groups, including actual FY 2008-09 expenditures, travel, per diem budgets and assigned FTEs.

Investment Advisory Committee, no expenditures

12. Suggest budget and staff reductions, including reductions in FTE and hours, by division and subdivision, that will reduce your department's total FY 2010-11 General Fund expenditures by 12.5% relative to FY 2009-10 appropriations before any adjustments that have been announced since the end of the 2009 session.

FY 2009-10 Long Bill Appropriation for the Administration Division is \$1,876,563 and \$933,721 of that is General Fund dollars. Therefore 12.5% is \$116,715.

Treasury will be proposing a 3% base reduction for FY 2009-10 through the supplemental process that is proposed in a change request to be carried into FY 2010-11.

To reach an overall reduction of 12.5% through staff reductions, Treasury would have to reduce staffing by one senior and two junior FTEs, or close/furlough approximately 20 days/year. Each of these scenarios would compromise the Department's ability to maintain current operations and would likely result in longer cash processing times and reduced investment earnings.

13. Suggest budget and staff reductions, including reductions in FTE and hours, by division and subdivision, that will reduce your department's total FY 2010-11 General Fund expenditures by 25.0% relative to FY 2009-10 appropriations before any adjustments that have been announced since the end of the 2009 session.

FY 2009-10 Long Bill Appropriation for the Administration Division is \$1,876,563 and \$933,721 of that is General Fund dollars. Therefore 25.0% is \$233,430.

Treasury will be proposing a 3% base reduction for FY 2009-10 through the supplemental process that is proposed in a change request to be carried into FY 2010-11.

To reach an overall reduction of 25% through staff reductions, Treasury would have to reduce staffing by two senior and one junior FTE or close/furlough approximately one day/week throughout the fiscal year. Each of these scenarios would compromise the Department's ability to maintain current operations and would likely result in longer cash processing times and reduced investment earnings.

DEPARTMENT OF TREASURY

