

STATE OF COLORADO
DEPARTMENT OF THE TREASURY

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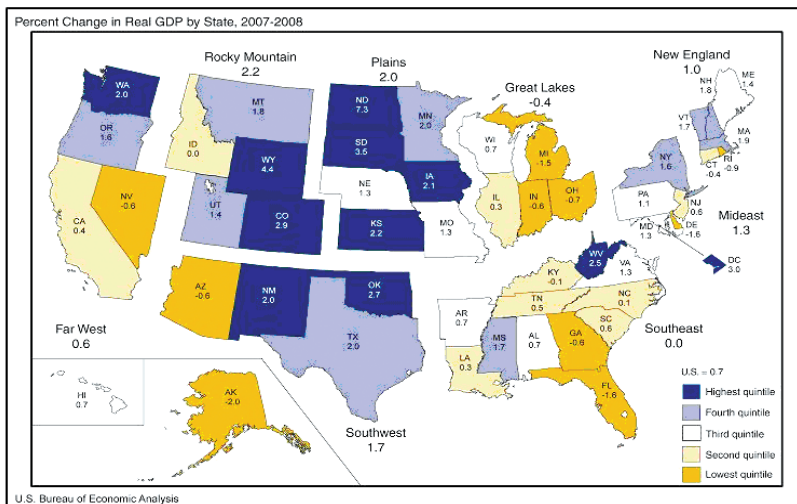
Welcome to **Treasury Notes** – a periodic email that I will send to update you about our work at Treasury. To sign up to receive Treasury Notes by email, [click here](#) to send a note to the Treasurer. To view this edition of Treasury Notes online, please [click here](#).



\$ Economic Update \$

The past eighteen months have been among the most volatile and extraordinary periods in economic history. From its high just before the recession to its low in March of this year, the Dow Jones Industrial Average lost just less than 54% of its value and the S&P 500 lost 56% of its value. The collapse of some of the nation's largest and longest-standing financial institutions caused a crisis of confidence – and liquidity – in the global financial system.

While Colorado's economy weakened, Gross Domestic Product (GDP) grew by 2.9% in 2008, ranking Colorado 4th nationally in percent growth for the year. In 2009, consumer spending and the housing market appear to be stabilizing; however, job losses and declining wages are expected to slow recovery well into 2010. The Federal Reserve Bank of Kansas City reports recovery is underway but Colorado is unlikely to outperform the nation in the short-run.



Sound Investments Protect State Assets

We are pleased to report that Colorado's \$5.6 billion investment pool had **positive earnings for fiscal year 2009**, which ended June 30th. The pool earned 3.0%, totaling \$177 million.

Colorado's assets were protected. These earnings helped to balance the state's budget and to avoid deeper cuts in services.

Treasury manages state investments to provide, in order of priority, **safety, liquidity, and yield**. The Colorado Treasury did not hold any investments in equities (stock), collateralized debt tied to the subprime market, structured investment vehicles, and does not use derivative products. In 2007, well before the national banking crisis hit, I terminated the state's securities lending program, further protecting the state's investments.

Since 2007, we have posted details of the state's investment holdings online at www.colorado.gov/treasury.

School Construction is Underway!



The elementary school in Hooper, Colorado is one of 65 school construction projects starting this year.

In August, Treasury successfully launched the largest school construction program in Colorado history and the largest financing for school construction in the country under the American Recovery and Reinvestment Act (ARRA).

The **Building Excellent Schools Today (B.E.S.T)** program gives Colorado's school districts access to capital to restore or replace aging and deteriorating school buildings.

To date, nearly \$300 million has been approved for projects in 63 school districts across Colorado. Treasury successfully managed the sale of the first round of financing that provided \$87 million to replace two elementary schools in Alamosa, the elementary, middle, and high school in the Sangre de Cristo district, and the high school in Sargent. Most of these buildings were constructed in the 1920s and have failing roofs, inadequate plumbing, and deteriorating foundations that pose health and safety threats to students and faculty. These projects will bring hundreds of jobs to the San Luis Valley this year.

The schools will be financed using the Qualified School Construction Bond (QSCB) program from the Recovery Act. QSCBs are a new financing structure that allows public entities to borrow at zero-

percent interest to finance K-12 capital construction. **This program lowered the costs of the projects by approximately \$45 million compared to traditional tax-exempt financing.**

For a complete list of current projects under the B.E.S.T program, please visit the Department of Education's website <http://www.cde.state.co.us/cdefinance/CapConstBEST.htm>.

Colorado's Credit Remains Strong

Two independent rating agencies recently **upheld the state's high credit ratings**. Standard and Poor's affirmed the state's 'AA' issuer credit rating, and Moody's affirmed the state's 'Aa3' rating. These high ratings enable Colorado to finance construction-- including the new Ralph L. Carr Justice Complex and dozens of projects on college campuses-- at lower interest costs to Colorado's citizens.

Colorado earned high ratings because it has a broad and diverse economy, a low debt burden, and because the State is taking the necessary steps to bring the budget into balance. Colorado has a long history of strong credit quality, and we at Treasury are committed to sound financial management helping to ensure that the state's credit remains strong.

A New Era of Transparency and Accountability

On September 1, 2009, Governor Ritter and I announced the launch of the **Transparency Online Project (TOP)**, which gives citizens easy Internet access to information and records about state expenditures and revenues.

The TOP system provides a searchable Internet database of state revenues and expenditures, including vendor information. This system **opens the checkbook of state government** for public review. To access the TOP database, visit <http://tops.state.co.us/>.

You can view investments, cash flows, and the State Taxpayer Accountability Report (STAR) at <http://www.colorado.gov/treasury> and you can view information about the American Recovery and Reinvestment Act in Colorado at www.colorado.gov/recovery.



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