

## **Colorado Investments** **By Dick R. Murphy, PhD.**

February 16, 2010

Fellow Republicans:

You may have recently received a 24-page document from Muhammad Ali Hasan purporting to discuss the duties and responsibilities of our State Treasurer and criticizing fellow Republican candidate J. J. Ament – the only candidate running with an actual background in public finance. **As a former Deputy State Treasurer in Colorado, I'm writing to inform you why [I'm supporting J. J. Ament](#) and to reinforce why it's so important that we Republicans elect a Treasurer who actually has expertise in public finance.**

The document my family received from Hasan and my public observations of him tell me that Hasan simply does not understand the role of the treasury in our state government. I feel compelled to note four major areas of concern:

**1. Colorado does not have more than \$3.5 billion invested in bailout companies.** Without any education or experience in finance or institutional investing, it's easy to misunderstand the state's portfolio. 'Asset Backed Securities', for example, derive their value from the underlying "assets" they represent – not the company that may have originally assembled them. They are not investments in bailout companies as Hasan claims.

It is critical that a State Treasurer understand the actual contents of an investment – not just the name on the cover page. Worse yet, Hasan's proposal to divest from Aaa-rated, asset-backed securities and replace them with bonds of questionable quality would expose taxpayers to unacceptable (and possibly illegal) volatility and risk – even if the replacement companies happen to do business in Colorado. Each of the three investment examples Hasan promotes represent potentially illegal investments for the State Treasury, and beyond that, would likely be detrimental to the liquidity of the Treasury portfolios.

**2. The taxpayers' portfolio should be managed using sound, conservative investment policy – and should not be a tool for politically-motivated investing.** We have already seen in Colorado and nationally what happens when the government interferes in private markets: taxpayers lose. Governor Ritter used the tools of government to punish Colorado's energy industry – and thousands of jobs have been lost. To hear Hasan now promoting the use of your money to punish Colorado banks is equally disturbing.

The Colorado Treasurer should maintain independence from the executive branch (and especially from Washington) and put sound investment policy ahead of emotion and politics – especially when dealing with your money and financial institutions. Many Colorado banking institutions had no choice but to participate in federal programs – or risk punishment from the White House. Most have since repaid any federal infusion plus interest, but to the Obama administration it's still not enough. I do not want the Colorado State Treasurer, whether that person be Ali Hasan, J. J. Ament, or Cary Kennedy, picking winners and losers in Colorado business. That is the role of consumers and the market.

**3. J. J. Ament has never advocated bypassing the Taxpayers Bill of Rights (TABOR) in his financial work.** In 2006, J. J. Ament and his company prepared a complete analysis of the current issues in public finance for then-gubernatorial candidate Bob Beauprez. They reprinted the same book in 2007 for newly-

elected state officeholders, including Treasurer Cary Kennedy. Much like a financial encyclopedia, the booklet presents the major financial issues facing government (including pros and cons) and is still quite relevant today. **To pull selected sentences out-of-context and suggest that the document advocates a bypassing of TABOR is dishonest and misleading.**

As Deputy State Treasurer under Mike Coffman, I was actually in the office when J. J. Ament made presentations to the Treasury. Never on any occasion was his approach anti-TABOR or anti-taxpayer. To state that J. J. has advocated that Colorado sell Pension Obligation Bonds without a vote of the people dramatically misstates the intent of the presentation made in the document Hasan references. The referenced document is, indeed, a marketing piece for Ament's employer at the time. It contains a factual discussion of various approaches to help stabilize PERA. Pension Obligation Bonds are one of the items that may or may not be helpful in that effort. They should be discussed and understood.

**4. Hasan lacks understanding of basic financial concepts.** Having been Deputy Treasurer under two treasurers, I'd be the first to say that it is not necessary for the State Treasurer to understand every minute detail of investing Colorado taxpayer money. It is, however, necessary that the State Treasurer have a basic understanding of the fundamental concepts of fixed income portfolio management. Observing a debate between Ament and Hasan on February 13, 2010, I came away with a clear impression that Hasan lacks that understanding. Investment questions regarding the nature of specific fixed income instruments, various yield curve characteristics, portfolio duration, and ratings characteristics were all answered by Hasan in a manner that convinced me that electing him would be another on-the-job training session like the one we've just experienced with Cary Kennedy.

I do not question Hasan's passion or enthusiasm about campaigning for office and am happy to have a young, articulate man like him on the Republican team. I would be supportive of him seeking other offices. However, we need a State Treasurer who has a clear understanding of the office and its duties, and a background in finance and investing. We cannot afford four more years of on-the-job training in the Treasurer's office – paid for by our tax dollars.

I was proud to serve Colorado's taxpayers as Deputy for two different State Treasurers and have spent 34 years doing institutional fixed income investment. I don't make endorsements for this office lightly because I know what's required to fulfill its duties. **In my professional opinion, J. J. Ament is the best candidate to return conservative investment policy to the State Treasury and be a voice of conservative fiscal policy in the statehouse.** Ament would be the first Treasurer in more than 40 years who brings a professional background in finance and banking to the office.

Sincerely,



Dick Murphy, PhD.  
Deputy State Treasurer, 1977-1980, 2003-2004