

JOINT BUDGET COMMITTEE



SUPPLEMENTAL BUDGET REQUESTS FY 2022-23

DEPARTMENT OF THE TREASURY

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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JANUARY 20, 2023

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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 consists of three sections: Administration, Unclaimed Property Program, and Special Purpose unit, and is responsible for the following:

Primary Functions

- Ensures the safekeeping and management of public funds by depositing and investing all funds received by state agencies.
- Ensures sufficient funds are maintained in cash accounts to pay outstanding warrants.
- Administers the Unclaimed Property Program.

School Districts and Charter Schools

- Provides short-term financing to school districts by issuing tax and revenue anticipation notes.
- Assists charter schools with long-term financing by making direct bond payments.

Other Distributions and Loans

- Distributes Highway Users Tax Fund revenues to counties and municipalities.
- Distributes federal mineral leasing funds received for the State's share of sales, bonuses, royalties, and rentals of public lands within Colorado.
- Disburses reimbursements to local governments for the Senior Citizen and Disabled Veteran Property Tax Exemption and the Business Personal Property Tax Exemption.
- Makes loans to homeowners through the Property Tax Deferral Program.
- Provides property tax reimbursements for property destroyed by a natural cause.
- Transmits money from the Unclaimed Property Trust Fund to the Adult Dental Fund.
- Beginning in FY 2019-20 and for every year in which the unfunded liability remains, provides a direct distribution of \$225.0 million to the Public Employees' Retirement Association (PERA) pursuant to Section 24-51-414, C.R.S., as enacted in S.B. 18-200 (Eliminate Unfunded Liability in PERA).

ADMINISTRATION

In addition to overall management of the Department, the Administration section is responsible for accounting, cash management, and investments. The Department is responsible for ensuring the safekeeping and management of public funds by maintaining sufficient funds in cash accounts to meet the state's daily cash needs and depositing all funds received by state agencies in statutorily authorized investments. The income earned on these investments augments the state's revenues from taxes and fees. The Department's investment officers manage five investment portfolios with short, intermediate, and long-term fixed income goals.

UNCLAIMED PROPERTY DIVISION

The Unclaimed Property Division is established to take custody of dormant or abandoned property and return the property to the rightful owners or heirs. The value of intangible property, excluding securities, is held in the Unclaimed Property Trust Fund (UPTF); and the value of securities is held in the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF). Funds from the UPTF support the administration of the Unclaimed Property Program and a portion of the Administration division's personal services line item.

As outlined above, the UPTPTF is managed separately from the four remaining investment accounts, and pursuant to Section 38-13-116.7, C.R.S., 25.0 percent of earned interest on this fund goes to the Colorado State Fair Authority Cash Fund, 65.0 percent to the Agriculture Management Fund, and 10.0 percent to the Colorado Travel and Tourism Promotion Fund.

SPECIAL PURPOSE DIVISION

The Special Purpose Division disburses money to local governments and other authorized recipients of state funds for the following programs:

- Reimbursements to local governments from the state General Fund for the Senior Citizen and Disabled Veteran Property Tax Exemption;
- Reimbursements to local governments from the state General Fund for the Business Personal Property Tax Exemption;
- Disbursements of Highway Users Tax Fund proceeds to counties and municipalities in the state;
- Reimbursement of property taxes paid for property that has been destroyed in a natural disaster or by another cause beyond the control of the property owner; and
- Direct distribution of \$225.0 million to the Public Employees' Retirement Association (PERA) pursuant to Section 24-51-414, C.R.S., as enacted in S.B. 18-200 (Eliminate Unfunded Liability in PERA).

These programs, which are created in the State Constitution or statute, are appropriated in the Department of the Treasury section of the Long Bill, but are pass-through programs in which the Treasury disburses or transfers money, but does not administer the programs.

SUMMARY: FY 2022-23 APPROPRIATION AND RECOMMENDATION

DEPARTMENT OF THE TREASURY: RECOMMENDED CHANGES FOR FY 2022-23						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	\$968,626,058	\$288,067,810	\$631,842,856	\$48,715,392	\$0	48.8
Other legislation	14,669,709	14,671,902	(2,193)	0	0	16.0
CURRENT FY 2022-23 APPROPRIATION:	\$983,295,767	\$302,739,712	\$631,840,663	\$48,715,392	\$0	64.8
RECOMMENDED CHANGES						
Current FY 2022-23 Appropriation	\$983,295,767	\$302,739,712	\$631,840,663	\$48,715,392	\$0	64.8
S1 Unclaimed Property technology	53,655	0	53,655	0	0	0.0
SNP1 OIT real time billing	22,645	13,813	8,832	0	0	0.0
RECOMMENDED FY 2022-23 APPROPRIATION:	\$983,372,067	\$302,753,525	\$631,903,150	\$48,715,392	\$0	64.8
RECOMMENDED INCREASE/(DECREASE)	\$76,300	\$13,813	\$62,487	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	n/a	0.0%
FY 2022-23 EXECUTIVE REQUEST	\$983,372,067	\$302,753,525	\$631,903,150	\$48,715,392	\$0	64.8
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

REQUEST/RECOMMENDATION DESCRIPTIONS

S1 UNCLAIMED PROPERTY TECHNOLOGY: The Department is requesting an increase of \$53,655 cash funds from the Unclaimed Property Trust Fund for FY 2022-23. This funding would support an increase in claims processing as a result of capacity added over the last two fiscal years. Staff recommends that the Committee **approve** this request.

SNP1 OIT REAL TIME BILLING: The Department is requesting an increase of \$22,645 total funds, including \$13,813 General Fund and \$8,832 cash funds from the Unclaimed Property Trust Fund for FY 2022-23. Staff recommends that the Committee incorporate its future decision on the Governor's Office of Information Technology's first prioritized supplemental request – Real-Time Billing.

PRIORITIZED SUPPLEMENTAL REQUESTS

S1 UNCLAIMED PROPERTY TECHNOLOGY

	REQUEST	RECOMMENDATION
TOTAL	\$53,655	\$53,655
FTE	0.0	0.0
General Fund	0	0
Cash Funds	53,655	53,655
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

[An emergency or act of God; a technical error in calculating the original appropriation; data that were not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of data that were not available when the original appropriation was made.

DEPARTMENT REQUEST: The Department requests an increase of \$53,655 cash funds from the Unclaimed Property Trust Fund for FY 2022-23. This funding would support an increase in claims processing as a result of capacity added over the last two fiscal years.

STAFF RECOMMENDATION: Staff recommends that the Committee approve this request.

STAFF ANALYSIS:

BACKGROUND

Over the past two fiscal years (2021-22 and 2022-23), the Committee has approved funding for an additional 4.5 FTE for the Unclaimed Property Division as well as software upgrades to assist the division in processing claims more quickly. The Department has implemented the software and, in conjunction with the new FTE, has been focused on increasing the rate at which unclaimed property claims are processed and property returned to its rightful owners.

One task that the Division must accomplish with every claim that comes in and is then processed is to upload the claim data to their system and then back those data up for record-keeping purposes. This process begins with the KAPS system, which is a claims processing system that allows claimants to upload necessary documentation directly into the division's system, reducing workload at the division, and expediting claims processing. The Department used to do all of this work manually, but the use of the KAPS system has greatly enhanced the Department's ability to process claims more quickly.

Another way that the Department has been able to accelerate its claims processing is through the Fastracks functionality within the KAPS system. Fastracks is a function that automatically processes claims that are less than \$750. The Department reports that this has helped to increase claim processing by freeing up staff to work on more complex claims.

REASON FOR REQUEST

In July 2022, the Department negotiated a new contract for use of the KAPS system. The two most important things to know about this contract and how the Department pays for the services is that the vendor fees have increased primarily as a result of inflationary pressures, and the cost of using the service is based on usage. So the more claims that the division is able to process, the more it will use the system, and the more expensive it will become to use. With that in mind, the following table outlines the specifics of how the Department expects the cost of using the system to increase over the next five fiscal years.

5-YEAR ESTIMATED COST	
YEAR	AMOUNT
FY 2022-23	\$376,750
FY 2023-24	380,232
FY 2024-25	392,344
FY 2025-26	396,293
FY 2026-27	411,291

Note that the Department is not required to pay the full amount in each fiscal year. Rather, because of the ‘fee-for-service’ structure of the contract, these are the maximum amounts that the Department could pay if they utilized 100.0 percent of the services that they expect to utilize through FY 2026-27.

Currently, the Department has authority to spend \$323,095 cash funds for Fastracks services in FY 2022-23. The request constitutes the difference between its current appropriation and the amount it is allowed to utilize under the terms of the new contract. At the time of the budget submission for the current fiscal year (Nov 1, 2021), the Department did not know if it would sign a new contract or for how much. Now, with the new contract and more information on how much capacity it has to process claims, the Department believes that it will be able to utilize this increased spending authority, and that without this funding its efforts to process claims will be stalled. According to the Department’s estimates, it expects to utilize all of its current spending authority sometime in April. Once that spending authority is utilized, it will no longer be able to process claims.

RECOMMENDATION

Staff recommends that the Committee **approve** this request. Staff believes that the request meets the supplemental criteria and is confident that the Department will be able to fully utilize the funding before the start of the next fiscal year. This is also another step in the Department’s ability to fulfil its duty to return more property to its rightful owner, which the Committee has supported in the recent past.

One thing that the Committee should consider is that the Department signed a contract for increased cost prior to being given legislative authority. Generally, staff believes that departments should strive to avoid this practice, but this case is slightly different because the Department is under no obligation to spend the full amount of the contract due to the fee-for-service structure of the contract.

NON-PRIORITIZED SUPPLEMENTAL REQUESTS

SNP1 OIT REAL TIME BILLING

	REQUEST	RECOMMENDATION
TOTAL	\$22,645	\$22,645
FTE	0.0	0.0
General Fund	13,813	13,813
Cash Funds	8,832	8,832
Federal Funds	0	0

DEPARTMENT REQUEST: The Department is requesting \$22,645 total funds, including \$13,813 General Fund and \$8,832 cash funds from the Unclaimed Property Trust Fund for FY 2022-23.

STAFF RECOMMENDATION: Staff recommends that the Committee incorporate its future decision on the Governor’s Office of Information Technology’s first prioritized supplemental request – Real Time Billing. Staff will include a corresponding appropriation in the Department’s supplemental bill based on the Committee’s action on the Governor’s Office’s supplemental request.

APPENDIX A: NUMBERS PAGES

Appendix A details actual expenditures for the most recently ended fiscal year, the appropriation for the current fiscal year, the requested change for the current fiscal year, the recommended change for the current fiscal year, and the total appropriation for the current fiscal year with the recommendation included. Only those line items that are impacted by the requested change are included.

*JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision*

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
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**DEPARTMENT OF THE TREASURY
Dave Young, State Treasurer**

S-01 Unclaimed Property Technology

(2) UNCLAIMED PROPERTY PROGRAM

Operating Expenses	<u>555,852</u>	<u>533,964</u>	<u>53,655</u>	<u>53,655</u>	<u>587,619</u>
General Fund	0	0	0	0	0
Cash Funds	555,852	533,964	53,655	53,655	587,619
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

Total for S-01 Unclaimed Property Technology	555,852	533,964	53,655	53,655	587,619
<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	0	0	0	0	0
Cash Funds	555,852	533,964	53,655	53,655	587,619
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

Totals Excluding Pending Items					
TREASURY					
TOTALS for ALL Departmental line items	726,343,340	983,295,767	53,655	53,655	983,349,422
<i>FTE</i>	<u>34.2</u>	<u>64.8</u>	<u>0.0</u>	<u>0.0</u>	<u>64.8</u>
General Fund	204,570,948	302,739,712	0	0	302,739,712
Cash Funds	446,779,525	631,840,663	53,655	53,655	631,894,318
Reappropriated Funds	74,992,867	48,715,392	0	0	48,715,392
Federal Funds	0	0	0	0	0