DEPARTMENT OF THE TREASURY
FY 2021-22 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, December 14, 2020
10:00 am – 11:00 am

10:00-10:15 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Treasurer Dave Young

10:15-10:45 COMMON QUESTIONS

Main Presenters: Treasurer Dave Young

Topics:
- Implementation of FY 2020-21 HLD Decrease
- COVID-19 Changes

10:45-11:00 PROPERTY TAX REIMBURSEMENT FOR PROPERTY DESTROYED BY NATURAL CAUSE

Main Presenters: Treasurer Dave Young

Topics:
- Destroyed Structures

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COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

1 Please describe the Department's actions to implement the Health, Life, and Dental decrease in lieu of a 5.0 percent General Fund salary base reduction. Please include dollar and percentage share data on planned "allocations" of the decrease to all divisions and programs within the Department. Please describe the use of vacancy savings, delayed hiring, and the implementation of one-time or ongoing operating savings. Please describe the urgency of the Department's need to engage in a furlough in FY 2020-21 due to the inability to achieve savings in other ways.

As Mitch Burmeister, the JBC analyst, mentioned in his Treasury Department briefing, the stated 5.0 percent Department reduction of $77,812 was miscalculated. The actual number should be $29,873. However, we believe that even with cost saving measures, the Department will be unable to absorb such a reduction.

The Treasury Department lacks the ability to utilize vacancy savings on the administrative (or General Fund funded) side. The Department’s staff total is currently 32, of which 15 are directly cash funded through the Unclaimed Property Division. Thus any General Fund savings would come from the administrative side.

A number of Treasury staff, including the State Treasurer, are taking voluntary furloughs of 1-2 days per employee. While staff is cross trained, we often have only one staffer per critical job duty.

Due to the limited staff size of the Treasury Department, lack of vacancies, and no anticipated staff attrition, it will be a significant financial challenge for the Department to absorb an HLD reduction.

There may be a benefit to evaluating the funding structure of the administrative division of the Treasury. This could potentially be a legislative fix.

2 Please describe how the changes implemented in response to the COVID-19 pandemic have changed the nature of the Department's work. Please address programmatic, budgetary, and office space impacts.

The entire Department has been remote since March 25th. The Department has taken extraordinary steps to ensure that the state's money is safe.

PROPERTY TAX REIMBURSEMENT FOR PROPERTY DESTROYED BY NATURAL CAUSE

[Sen. Moreno] Are there any data on how many structures have been destroyed as a result of the wildfires to give the Committee some estimate of how much the Department will need to reimburse?

The Treasury Department is working with the Department of Local Affairs, as well as with County Treasurers to gather this information. We have reached out to a number of counties to get an estimated value of destroyed property. The statutory deadline for county assessors to report to county treasurers on damage due to natural disaster is December 15.

While we are unable to provide an estimated value at this time, the Department can provide some raw data for the purpose of example. By the end of August, the Pine Gulch Fire had become the largest in terms of acreage in state history, surpassing the 2002 Hayman Fire. Structural losses from the Pine Gulch Fire appear to be relatively minimal.

Unfortunately, by November, the Pine Gulch Fire was surpassed in terms of size, by both the Cameron Peak and the East Troublesome Gulch Fires. Reports indicate that over 461 structures were lost in the Cameron Peak Fire, which directly impacted Larimer County. Of those losses, at least 42 were primary residences, and 17 were businesses.

In Grand County, the losses from the East Troublesome Gulch Fire were also significant, with 589 structures being reported as destroyed. Of those, up to 300 structures are reported as residential.

DEPARTMENT OF THE TREASURY
FY 2021-22 JOINT BUDGET COMMITTEE HEARING
WRITTEN RESPONSES ONLY

COMMON QUESTIONS: PLEASE RETAIN THE NUMBERING IN ORDER TO MAINTAIN CONSISTENT LABELING FOR COMMON QUESTIONS ACROSS DEPARTMENTS.

1 Provide a list of any legislation with a fiscal impact that the Department has: (a) not implemented, (b) partially implemented, or (c) missed statutory deadlines. Explain why the Department has not implemented, has only partially implemented, or has missed deadlines for the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

The Department of the Treasury (Department) passed SB19-088: Revised Uniform Unclaimed Property Act (RUUPA) in the 2019 legislative session, which went into effect on July 1, 2020. The Department has implemented a series of changes in order to comply with the new statute, including hosting several virtual trainings for holders.

The Department passed SB20-200: Implementation of the Colorado Secure Savings Program in the 2020 legislative session. It was signed in June of 2020. The Governor appointed members of the Program Board on September 18, 2020. Treasurer Young chairs the board, which has had four board meetings so far. This program will be designed and rolled out over the course of 2-3 fiscal years.

The Department passed HB20-1413: CLIMBER and HB20B-1006: Technical fixes to CLIMBER in the 2020 legislative session and the 2020 extraordinary legislative session. CLIMBER will provide loans to small businesses impacted by COVID-19 through the sales of tax credits. The program will fund itself through proceeds from tax credits.

2 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations with a fiscal impact identified in the Office of the State Auditor's "Annual Report: Status of Outstanding Audit Recommendations"? What is the Department doing to resolve these HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.

The 2020 report will be published on December 7, 2020 and can be found at this link: http://leg.colorado.gov/content/audits. JBC staff will send out an updated link once the report is published.

The two outstanding recommendations do not have a fiscal impact. The Department is working with another state agency to resolve these recommendations by the agreed upon implementation date in the audit report referenced above. No current budget request is associated with resolving these recommendations, as the Department expects to achieve a solution within the current State framework.

3 For the FY 2020-21 hearing process, the Department was asked to respond to the following questions related to public awareness campaigns.

Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign?

Please provide an update to your response from last year, including any changes to existing campaigns and/or the addition or discontinuation of campaigns.

The Department has an annual campaign called the "Great Colorado Payback Campaign." This is cash funded and has an annual budget of up to $200,000. The goal of the campaign is to increase public awareness of the Department's Unclaimed Property Division in order to increase the number of claims that are made, and therefore the amount of unclaimed property that the Department is able to return to its rightful owner. This is a combination of paid media and earned media. The Department does not do this work with other state or federal departments.

In FY19-20, the Campaign held in person events to interact with Coloradans who may have unclaimed property. The Department is currently working with a video production company to create three videos that will be aired on television and through social media channels.

The Department also re-designed and launched a new website, with assistance from SIPA.

At the beginning of Treasurer Young's term, the Unclaimed Property Division faced a backlog of over 12,000 claims. The Division has eliminated this backlog and is now focusing on being more proactive, both with holders and tracking down claimants.

4 Please identify how many rules you have promulgated in the past year (FY 2019-20). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

The Department did not promulgate rules in FY 19-20, and did not undertake a cost-benefit analysis of its rules as a whole.

5 What are the major cost drivers impacting the Department? Is there a difference between the price inflation the Department is experiencing compared to the general CPI? Please describe any specific cost escalations.

Rapid advances in technology, stability and competence of permanent staff, as well as contracted professionals and associated services are the Department's major cost drivers. The Department is not experiencing a significant difference in price inflation compared to the general CPI.

6 How is the Department's caseload changing and how does it impact the Department's budget? Are there specific population changes, demographic changes, or service needs (e.g. aging population) that are different from general population growth?

The Department's rapidly increasing caseload is very closely tied to that of the general population and not specific, unique demographic changes.

7 In some cases, the roles and duties of existing FTE may have changed over time. Please list any positions that have been created in the Department since FY 2018-19 that were <u>not</u> the result of legislation or a decision item.

No positions have been created in the Department since FY 2018-19 that were not the result of legislation or a decision item.

For all FY 2021-22 budget requests that include an increase in FTE:

a. Specify whether existing staff will be trained to assume these roles or these duties, and if not, why;
b. Specify why additional FTE are necessary; and
c. Describe the evaluation process you used to determine the number of FTE requested.

a. Existing staff will not be trained to assume these roles or duties, as existing staff is fully utilized in current operations and not interested or qualified for the positions to be added;
b. Additional FTE are required for the doubling in size of the investment portfolio, its increasing diversification, and a shift from a buy-and-hold strategy to a more active management; and the lack of capacity of the Unclaimed Property Division to proactively search out claimants to reunite owners with their property, as well as focus on research to address more complex claims; and
c. The evaluation process to determine the number of FTE requested resulted from analyzing the current workload of current employees and projecting the additional staff necessary to begin to address the urgent need to maintain our level and quality of service.

8 Please describe any programmatic impacts resulting from cash fund transfers impacting the department as part of the FY 2019-20 and FY 2020-21 balancing process.

HB 20-1380 transferred a total of $24.8 million out of the Tobacco Litigation Settlement Cash Fund (TLSCF) on July 1, 2020; therefore, the TLSCF had significantly less cash to distribute at the beginning of FY 2020-21 to the tobacco programs designated in CRS 24-75-1104.5. The result is that those programs are more likely to require interest-free advances from the General Fund [see CRS 24-75-1104.5 (7)] prior to the State receiving its annual tobacco master settlement agreement payment in April 2021 when the programs will receive the balance of their intended FY 2020-21 allocations.

9 What amounts have been reimbursed in the past as a result of Section 39-1-123, C.R.S., which added HB 14-1001, Tax Credits for Property Destroyed by a Natural Cause?

The following represents reimbursement amounts related to §39-1-123, C.R.S. beginning in FY 14-15:
FY15 $1,096,496
FY16 $24,209
FY17 $2,019
FY18 $0
FY19 $27,736
FY20 $4,477

10 What is the status of reimbursements in the year(s) following destruction of property as that property is or is not rebuilt? Give a general overview of the lifecycle of a property from destruction to rebuilding/relocating, and how that impacts property tax collection.

The Department discussed this issue with the State Property Tax Administrator and offers the following information in response: Starting from the date the property is determined to be destroyed, the property value is prorated to the residential land value alone for the remainder of the year. Once a structure is destroyed it is essentially removed from the tax rolls, and therefore carries no associated tax. The taxpayer is still responsible for whatever tax may be appropriate for the underlying land that was not destroyed.

Reimbursements are made from the State to counties based on the information county treasurers provide to the state treasurer. Going forward, the county would tax the value of the land until improvements are rebuilt. Reimbursements happen only once per property per natural disaster.

For example, a home is determined to be destroyed due to natural disaster in September 2020. The assessor determines the tax amount due (a reduced amount due to the lost property – the home – but still including the land value), and submits that to the county treasurer.

Pursuant to statute, the county treasurer then requests reimbursement from the state for the value of the property prior to its destruction. As mentioned above, until the home is rebuilt, the land is assessed and taxed at the residential rate on the value of the land itself. However, the loss reimbursement only takes place once.