DEPARTMENT OF THE TREASURY
FY 2023-24 JOINT BUDGET COMMITTEE HEARING AGENDA

Friday, December 2, 2022
4:30 pm – 5:00 pm

4:30-4:35 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Dave Young, Colorado State Treasurer

4:35-4:45 COMMON QUESTIONS

Main Presenters:
- Dave Young, Colorado State Treasurer

Topics:
- Implementation of programs from one-time funds: Page 2, Question 1 in the packet
- Rulemaking: Page 2, Question 2 in the packet
- Temporary FTE: Page 2, Question 3 in the packet
- Partnership Agreement – Fiscal Impact: Page 2, Question 4 in the packet

4:45-5:00 DEPARTMENTAL REQUEST ITEMS

Main Presenters:
- Dave Young, Colorado State Treasurer

Topics:
- R1 – Administration Division Needs: Pages 3-4, Question 5-6 in the packet
- R2 – Unclaimed Property Division Needs: Pages 4-5, Question 7 in the packet
- R4 – Deferred Property Tax Program: Pages 5-6, Question 8 in the packet
- R5 – IT Accessibility: Page 6, Question 9 in the packet

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COMMON QUESTION FOR DISCUSSION AT DEPARTMENT HEARINGS

1 Please describe the implementation plan for new programs added to the Department from one-time stimulus funds (such as the CARES Act, ARPA, and one-time General Fund), as well as any challenges or delays to program implementation.

The Department did not receive one-time stimulus funds for the purpose of new program implementation. The Department did receive $47,207 of ARP funding for software that was used to increase the Investment Division's analytic abilities. The General Fund is now meeting the ongoing cost for this software.

2 Please identify how many rules you have promulgated in the past year (FY 2021-22). 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's newest division, the Colorado Secure Savings Program, promulgated one set of 24 specific rules as authorized by statute. Those rules are found at 8 CCR 1508-3. No cost benefit analysis was requested, nor was a regulatory analysis requested. The Department has not conducted a cost-benefit analysis of the Department's rules as a whole.

3 [*Sen. Rankin*] For how many temporary FTE has the department been appropriated funding in each of the following fiscal years: FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23? For how many of the temporary FTE was the appropriation made in the Long Bill? In other legislation? Please indicate the amount of funding that was appropriated. What is the department's strategy related to ensuring the short term nature of these positions? Does the department intend to make the positions permanent in the future?

The Department has not been appropriated funding for temporary FTE.

4 [*Sen. Zenzinger*] Please provide a description, calculation, and the assumptions for the fiscal impact of implementing the provisions of the Partnership Agreement, including but not limited to changes in annual leave accrual, holiday pay, and paid family and medical leave. If your department includes employees who are exempt from the Partnership Agreement, please indicate whether or not you intend to implement similar benefit

changes as those required for covered employees. Please provide a breakdown of the fiscal impact of implementing the provisions of the Partnership Agreement for: a) employees who are subject to the Agreement, and b) employees who are exempt from the Agreement.

The Department consists primarily of state-classified employees. The few employees who are non-classified will receive the same benefit offered to classified employees in terms of leave, holiday pay, and paid family medical leave. Additional holiday and paid family medical leave are not impacted by the Partnership Agreement. In FY 21-22, no Department employee utilized the state-paid family medical leave benefit. Please see the attached spreadsheet of the fiscal impact of the implementation of the Partnership Agreement in terms of annual leave accrual for all state-classified Department employees.

DEPARTMENTAL REQUEST ITEMS

QUESTION 5
R1 – Administration Division Needs

[Rep. Bird] Can you provide more information about the need for 1.0 FTE for marketing and communications?

The Department strongly believes that two-way communication between the Department and Coloradans increases trust and transparency. Last year, with the JBC's approval, we finally created a full-time Public Information Officer (PIO) position for the first time. This recognized a long-standing need to address Department internal and external communications. In the past year alone, the Department's single FTE received over 900 media inquiries from local and national press, conducted over 200 interviews, and held multiple media availabilities and editorial board meetings. In addition, that FTE responds on average to over 100 constituent emails per week, as well as dozens of constituent phone calls.

As committee members are no doubt aware, constituent outreach through social media has dramatically increased. The current FTE also responds to questions posed on the Department's three social media platforms (Facebook, LinkedIn and Twitter). The Department is currently unable to keep up with the sheer volume of comments and questions on these three platforms.

In addition, the current FTE is responsible for the entirety of department responses to Open Records Act requests, designing and directing the Great Colorado Payback outreach and communications, internal communications, and formal legislative communications.

Prior to having a PIO, the Department's dedicated staff strained to meet basic communications needs. The addition of a dedicated communications FTE enabled the Department to be proactive in terms of engaging, and being responsive to, Coloradans. The FTE requested reflects the Department's recognition that between current demands, and plans to connect with Coloradans on issues such as financial education and a dignified retirement, increased communications capacity is required.

QUESTION 6

[Sen. Kirkmeyer] Can you describe how your request for FTE funding interacts with the Department of Personnel's salary survey? What classification and range are you asking to hire the FTE at? Why is additional funding needed for staff retention?

The Department formulated an incentive and reward program after the new HR Director was hired in September 2022. Several state agencies have their own incentive and reward programs which have proven to be highly successful in employee retention. Many employers are feeling the pain of short staff and heavy workload and employees are getting burnt out which in turn either affects productivity or the loss of workforce. The Department's new incentive and reward program is a proactive approach to addressing employee retention through recognition and boosting morale which in turn increases productivity. DPA's salary survey incorporates between 3% to 5% increase in salaries which is helpful in addressing the rising cost of living.

Additional FTEs requested in the Department's Administrative division are classified as Marketing and Communications Specialist II and Budget Analyst II. The hiring range for Marketing and Communications Specialist II is between $46,000 - $68,000 annually and for a Budget Analyst is between $70,000 to $78,000. The Department follows the same guidelines and restrictions for hiring as its other state departments and agencies.

With the expansion of the Treasury programs, additional staff is needed to ensure efficiency and focus on program implementation, administration, and support. Additionally, to ensure the burden of the program implementation is not put on current staff, the Department is requesting additional FTE to prevent staff burnout due to the heavy workload. This approach also secures the retention of current staff which encourages morale.

QUESTION 7

R2 – Unclaimed Property Division Needs

[Rep. Sirota] Can you further clarify the need for the additional Division Claims Manager, the associated workload, and allocation of duties for this position and for existing positions?

The claims manager will be responsible for overseeing 4.5 FTE (if the Committee approves the Department's request for an additional claims representative, that number would be 5.5 FTE). These employees process basic claims, answer hotline calls and respond to claimant emails. Basic claims are those made by potential unclaimed property owners and encompass approximately 90% of all claims, or about 49,600 paid claims in the last fiscal year.

The manager would assign and make sure claims are processed within the 90 day statutory deadline. This manager would also manage the email queue for the Great Colorado Payback, which receives 60 inquiries a day on average. This manager would handle all claim escalations via email and phone on behalf of claims staff, enabling staff to focus on fulfilling other claims. The manager would also oversee customer service and the staffing of the claimant hotline. All hiring, training, and coaching of the claims FTE would be the manager's responsibility.

Currently, because there is no manager position, the division director has maintained the above responsibilities, in addition to her work guiding the division. The claims division's three additional

FTE's are assigned complex claims- and work under other managers. Complex claims require a different skill set than the claims phone staff. This staff handles complex heirship and business claims, and are subject matter experts in these areas. The claims phone team has a more basic skill set for claims, and by necessity focuses heavily on communicating via phone calls and emails.

QUESTION 8

R4 – Deferred Property Tax Program

[Rep. Bird] Can you discuss the assumptions in the CoreLogic report related to the 35,000 estimate of program participants in 2023?

Senate Bill 22-220, expanded the state's property tax deferral program to allow homeowners of a primary residence to defer any increase in their property tax bill over 4% growth in that tax. That legislation was a result of the study the General Assembly called for in SB 21-293.

From the Study:

In forecasting the participation rate for the expanded program, CoreLogic Data Science Team identified single-family, owner-occupied properties and created a formula to determine those for which the property tax exceeded the 4% tax growth cap. Key representatives at the state and county levels verified the formula. The tax growth cap was measured using three years of property tax data to determine the potential deferrable tax per parcel. Only those that qualified per the predetermined range would be considered eligible.

To calculate how many of the eligible homeowners would participate, many dependent and independent factors were considered. Some of these are as follows:

- *Delinquency rate for property tax*
- *Forbearance rate in Colorado*
- *FICO score averages in Colorado*
- *Unemployment rate in Colorado*
- *Historical participation rates in Colorado and other states*
- *Property intelligence by county*

Factors identified by other state programs during the best practices review indicated the impact of interest and inflation rates, as the lower values in these rates imply a negative correlation regarding program participation rates. CoreLogic, being the largest Escrow Servicer of property taxes, also consulted with our top 20 clients, and 80% of them currently accept formal tax deferrals. Typically, these are full deferrals not partial, so we did not make any adjustments for this study. In the CoreLogic dataset, 1,842,119 Colorado parcels existed in tax year 2020 data; 1,803,749 in 2019; and 1,789,935 in 2018. The data for 1,764,419 parcels existed in all three years, approximately 95% of the properties in 2020. There are approximately 475,000 eligible properties in all counties of Colorado, with a total deferral amount of approximately $165 million if 100% participated.

For a more in-depth discussion of the CoreLogic study assumptions, please see pages 14-17 of the [CoreLogic study, which can be found here](#).

Per statute, as of October 2022, the Department retained CoreLogic as the third party administrator (TPA) responsible for the creation and management of the expanded program and negotiated a three-year contract. CoreLogic has collected relevant data on property owners and property tax status and is building a portal through which applicants will be able to determine if they qualify for a deferral and, if so, monitor the status of their application. As TPA, CoreLogic will file the deferrals with the appropriate counties, conduct a statewide marketing campaign, and be the first point of contact for Coloradans with questions about the program or their specific deferral. SB22-220 appropriated $1,773,782 for FY 23/24. This budget request reflects that appropriation and the signed contract with CoreLogic.

QUESTION 9

R5 – IT ACCESSIBILITY

[Rep. Bird] Please discuss how you utilize OIT for information technology services. What do they provide and what do they not provide?

The Department shares OIT support with the Governor's Office, a long-standing relationship that meets the Department's most basic technology needs. The Department has grown significantly in size since this arrangement, which predates most of the current staff, was put in place. OIT provides basic, limited technology support, but nothing beyond that.

Last year, the Department requested, and the JBC approved a cybersecurity FTE for the Department in recognition of the risk that all state agencies face in the present day. The Department is in the process of filling this position. This position was not designed to provide general IT support, but instead is to focus on ensuring the Department is as protected as possible from cyber threats.

The Department is unable to meet the accessibility requirements of HB21-1110 with its current level of IT support, and the bill's specialized requirements are well beyond the expected capacity of the cybersecurity FTE the Department is adding.

EID	Years of Service	New Annual Leave Accrual	Additional yearly increase in accrual	MONTHLY SALARY	HOURLY RATE	FISCAL IMPACT OF PARTNERSHIP AGREEMENT ON ANNUAL LEAVE
997130461	4	9	12	$ 7,976.00	$ 46.02	$ 552.18
997131155	4	9	12	$ 10,599.83	$ 61.15	$ 733.83
997128142	5	9	12	$ 7,957.00	$ 45.91	$ 550.87
997117295	5	9	12	$ 9,204.00	$ 53.10	$ 637.20
			48			**$ 1,921.90**
997120483	6	11	12	$ 11,395.00	$ 65.74	$ 788.88
997112295	7	11	12	$ 4,573.00	$ 26.38	$ 316.59
997108541	8	11	12	$ 4,417.00	$ 25.48	$ 305.79
997103047	9	11	12	$ 4,500.00	$ 25.96	$ 311.54
997101774	9	11	12	$ 4,044.00	$ 23.33	$ 279.97
997096498	10	11	12	$ 3,657.00	$ 21.10	$ 253.18
997097121	10	11	12	$ 6,828.00	$ 39.39	$ 472.71
997096328	10	11	12	$ 3,664.24	$ 21.14	$ 253.68
997100657	10	11	12	$ 8,446.00	$ 48.73	$ 584.72
			108			**$ 3,567.06**
997080352	14	13	12	$ 7,739.00	$ 44.65	$ 535.78
997016871	15	13	12	$ 11,824.00	$ 68.22	$ 818.58
			24			**$ 1,354.36**
997011741	18	16	24	$ 9,507.00	$ 54.85	$ 1,316.35
997048346	19	16	24	$ 4,666.00	$ 26.92	$ 646.06
997053124	22	16	24	$ 9,158.09	$ 52.84	$ 1,268.04
997073805	22	16	24	$ 8,510.00	$ 49.10	$ 1,178.31
997029404	28	16	24	$ 6,554.00	$ 37.81	$ 907.48
			120			**$ 5,316.24**
FISCAL IMPACT OF PARTNERSHIP AGREEMENT ON ANNUAL LEAVE						**$ 12,159.57**

The annual leave accrual changed for all classified employees within the State Personnel System. For employees with service years of 4 and 5, the accrual increased by 1 hour each month for a total of 12 hours increase for the whole year.

The annual leave accrual changed for all classified employees within the State Personnel System. For employees with service years from 6 years to 10 years, the accrual increased by 1 hour each month for a total of 12 hours increase for the whole year.

The annual leave accrual changed for all classified employees within the State Personnel System. For employees with service years from 11 years to 15 years, the accrual increased by 1 hour each month for a total of 12 hours increase for the whole year.

The annual leave accrual changed for all classified employees within the State Personnel System. For employees with service years from 16 years or greater, the accrual increased by 2 hours each month for a total of 24 hours increase for the whole year.

Colorado Department of Treasury
Budget Request Summary — FY 2023/2024

Contact: Leah Marvin-Riley, Director of Policy
leah.marvin-riley@state.co.us, (303) 818-9836

Total request = $1,450,576

1. **Administration Division:**
   - Two FTE - a budget analyst and a communications specialist
   - Equity, Diversity, and Inclusion (EDI) training
   - Staff recognition and incentive funding
   - Conferences, travel, and training

2. **Unclaimed Property Division:**
   - Two new FTE - a phone claims manager and an entry level claims representative
   - Processing claims (software and postage)
   - Access to new fraud prevention software
   - Conferences and training.

Add four full-time employees:

- UP Claims Manager
- UP Claims Representative
- Budget Analyst
- Communications Specialist

3. **Cyber Security:** *Implementing the second phase of a cybersecurity penetration audit*
   - The Department needs to continue to test and protect its cyber systems. Such testing is a best practice, is made more pressing due to increased reliance on remote work, and is necessary due to the constant efforts of bad actors to impact State of Colorado systems. Information about cyber security is part of a broader set of questions asked by rating agencies and investor analysts.

4. **Legislative Implementation:** *Property Tax Deferral Program*
   - Through SB 21-293 and SB 22-220, the Colorado State Legislature expanded the state's property tax deferral program to allow homeowners of a primary residence to defer any increase in their property tax bill over 4% growth in that tax.
   - Treasury has a signed three year contract with a TPA. This budget request covers the cost of managing and maintaining the program. The initial cost was appropriated by the legislature and this request ensures continued funding.

5. **IT Accessibility:** *State agencies must create an IT Accessibility Adoption Plan*
   - Based on the plan created by the Governor's Office of Information Technology
   - Investment in the testing of websites and applications, remediation and project management. Treasury will be able to provide accessible IT services in compliance with Web Content Accessibility Guidelines (WCAG) 2.1 standards and be in compliance with HB 21-1110. With the work plan taking up to three years to complete, it may be necessary to request additional funding through FY 2025-26.