DEPARTMENT OF TREASURY

FY 2024-25 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 14, 2023

4:30 pm – 5:00 pm

4:30 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Dave Young, Colorado State Treasurer

4:30-4:35 COMMON QUESTIONS

Main Presenters:

- Dave Young, Colorado State Treasurer

Topics:

- Question 1: Page 1
- Question 2: Page 2
- Question 3: Page 3

4:35-4:45 STAFFING REQUESTS – ADMINISTRATIVE DIVISION & UNCLAIMED PROPERTY

Main Presenters:

- Dave Young, Colorado State Treasurer

Topics:

- Administrative Staffing Division: Pages 3-5
- Unclaimed Property Division: Page 6

4:45-4:50 SALARY INCREASES – DEPUTY, CFO/COO, AND PROMOTIONS

Main Presenters:

- Dave Young, Colorado State Treasurer

Topics:

- Deputy, CFO/COO Salary Increases: Page 5
- Unclaimed Property Promotions:

4:50-4:55 TECHNOLOGY REQUESTS

Main Presenters:

- Dave Young, Colorado State Treasurer

Topics:

- Administration Division Technology: Page 6
- Unclaimed Property Technology: Page 6

4:55-5:00 OTHER ISSUES AND CLOSING REMARKS

Main Presenters:

- Dave Young, Colorado State Treasurer

Topics:

- ARPA Reversions – HB 21-288: Page 7

Department of Treasury
FY 2024-25 Joint Budget Committee Hearing
Thursday December 14, 2023
4:30-5:00 pm

Common Questions For Discussion at Department Hearings

Q1: *Please describe one-time state and federal stimulus funds that have been allocated to the Department but are not expended as of September, 30, 2023, by bill, budget action, executive action, or other source that allocated funds. The description should include but is not limited to funds that originate from one-time or term-limited General Fund or federal funds originating from the American Rescue Plan Act (ARPA)/State and Local Fiscal Recovery Funds/Revenue Loss Restoration Cash Fund. Please describe the Department's plan to obligate or expend all allocated funds that originate from ARPA by December 2024.*

Please further describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations, including the following information:

- *Original fund source (General Fund, ARPA, other), amount, and FTE;*
- *Original program time frame;*
- *Original authorization (budget decision, legislation, other);*
- *Requested ongoing fund source, amount, and FTE; and*
- *Requested time frame (one-time extension or ongoing).*

Department Response for Q1:
The Department has no unexpended one-time federal stimulus funds as of September 30, 2023.

- Fund Source: ARPA
    - Amount: $477,100 amended to $203,207.42
    - Expended: $47,207.42 and reverted $156,000
    - FTE: 0.0

The time frame of the original request was through December 2024. This was revised to be through the end of FY 22. Authorization came through an Interagency Agreement with the Governor's Office on October 15, 2021

- Ongoing Funding Source Requested
    - General Fund
    - Amount: $45,000
    - FTE: 0.0

This is an ongoing General Fund appropriation that was approved in the Department's FY 23 budget request.

Q2: *Please provide a description, calculation, and the assumptions for the fiscal impact of implementing compensation provisions of the Partnership Agreement, as well as a qualitative description of any changes to paid annual, medical, holiday or family leave as a result of the Agreement. Please describe any compensation and leave changes for employees exempt from the Agreement if applicable.*

Department Response for Q2:
The Treasury consists of primarily state-classified employees with only five employees being non-classified. All employees (classified and non-classified, covered and non-covered under the Partnership Agreement) receive the same benefits offered to classified employees in terms of leave, holiday pay, and paid family medical leave.

The non-covered employees (employees exempt from the Partnership agreement) also received the benefits of the ATB increase which was an additional financial impact of **$11,458**.

Fiscal impact of implementing the annual leave accrual change of the Partnership Agreement:

4-5 years of service: (5 employees): These employees now accrue 9 hours of leave per month, as indicated by article 29 of the Partnership Agreement. This is an increase of an hour of leave per month from the previous state service plan. The new maximum annual leave accrual is 216 hours, an increase of 24 hours; the total accrual is 1080 hours for five employees.

6-10 years of service: (6 employees): These employees accrue 11 hours of leave per month, per article 29 of the Partnership Agreement, an increase of an hour per month from the prior state service plan. The maximum accrual is 264 hours (an increase of 24 hours from the prior plan); the total accrual is 1584 hours for six employees.

11-15 years of service: (6 employees): These employees accrue 13 hours of leave per month, per article 29 of the Partnership Agreement, an increase of an hour per month from the prior state service plan. The maximum accrual is 312 hours (an increase of 24 hours from the prior plan); the total accrual is 1872 hours for six employees.

16 years or more of service: (8 employees): These employees accrue 16 hours of leave per month, per article 29 of the Partnership Agreement, an increase of two hours per month from the prior state service plan. The maximum accrual is 384 hours (an increase of 48 hours from the prior plan); the total accrual is 3072 hours.

During FY 22-23, three employees utilized the State paid family medical leave and used **339.5** total hours against State paid family medical leave (PFML) with an average salary of **$5,694**, resulting in a total fiscal impact of **$1,933,113**.

Years of Svc.	Number of Employees	Increase in yearly leave accrual	New maximum leave accrual	Average hourly salary	Total fiscal impact
4 – 5	5	12	216	$47.91	$51,742.80
6 – 10	6	24	264	$42.08	$66,654.72
11- 15	5	24	312	$35.90	$56,004.00
16+	8	48	384	$47.87	$147,056.64
Total Fiscal Impact:					**$321,458.16**

Q3: *Provide a prioritized list of budget reductions the Department would propose if 10.0 percent General Fund appropriation reductions were required of every Department.*

Department Response for Q3:
We appreciate the question, and are always willing to partner with the JBC when it comes to identifying budget reductions. The Department's November 1st budget submission reflected a careful balancing of the Department's highest needs. The Department's lack of redundant positions would mean that any reduction would only be achieved through furloughs or vacancies of critical positions. Should economic conditions turn negative, we will work to take actions that reduce expenditures. We welcome the opportunity to work with JBC staff on estimating the impact and tradeoffs of specific reduction proposals.

Staffing Requests – Administrative Division & Unclaimed Property

R1A*: Administrative Division Staffing: Sen Kirkmeyer: Can we get more detail on why the Treasurer is requesting these specific positions?*

Department Response for R1A:
Programmatic Department growth in partnership with the General Assembly, through new programs, growth in state activity, and compliance obligations.

In partnership with the General Assembly, the Department has added the SecureSavings and the CLIMBER programs, and has reinvigorated the Property Tax Deferral Programs.

The FTE for the Property Tax Deferral Program reflects significant program growth. Program participation doubled in FY 23 and staff was extremely strained in meeting required deadlines and keeping up with the increased interest in the program.

The program is planning increased marketing and has already seen increased interest due to property tax valuations. We estimate growth between 50 - 65% in the program for FY 24, and anticipate that will continue for the foreseeable future. The legislative addition of a new category of participation (for all property owners potentially impacted by increases in property taxes) adds to the expected participation increase.

In addition, we are adding new features, such as e-recording, and a new administrative portal for daily monitoring and reporting.

The growth in State activity necessitates the request for one additional FTE in the Accounting unit. The unit has not had an increase in staff since FY 18, and yet demands on the unit have increased dramatically. As an example, the number of transactions processed by the unit increased by over 10 percent from FY 21 to FY 22, from 1.699 million to 1.898 million.

While the unit does its best to cross-train, each accounting position handles different responsibilities. In order to maintain the high quality of its work, we are requesting this position to lessen the work burden, increase team support, and decrease an increasing risk of personnel burnout.

We have requested an increase in FTE for Department human resources, which reflects our efforts to meet compliance obligations related to statutory changes, executive orders, and increasingly complex federal and state personnel requirements (i.e. FMLA, FAMLI, CoWINS). The current demands are simply too much for one person to manage successfully.

One FTE is to focus on EDI and accessibility issues. These are Department-wide issues that impact employee hiring, vendor selection, as well as being responsive to state regulations and requirements. This also addresses accessibility, not just to our website, but ensuring the Department is meeting and anticipating employee accessibility needs, as well as being responsive to constituent accessibility needs.

Another 0.5 FTE is to focus on timekeeping, payroll, and other system functions. The Department has requested Kronos timekeeping software as part of its R3 request, and this position is tied, in part, to that request. The 0.5 FTE will focus on implementing and maintaining the Kronos timekeeping system (replaces manual, spreadsheet-based timesheets), and general HR support in areas of payroll, policy implementation, and additional HR support.

Last, the Department currently has no general administrative support, and with the programmatic growth described above believes it is now necessary to add an FTE to aid in general Department operations. The lone Executive Assistant is strained when trying to keep up with Department growth, hybrid technology expectations, and increased Department activity.

R1B: *Sen Kirkmeyer: Can we get a list of all of the departments that have CFOs with higher pay than Treasury along with the size of those departments?*

Department Response for R1B:
A smaller Department is required to be nimble, and often employees wear many hats. In Treasury, the Deputy also maintains the responsibilities of a chief of staff, overseeing daily Department operations, as well as long-range Department planning. The Department's CFO is combined with the COO role, working closely with the staff on Department financial issues, as well as operations. Regardless of Department size, the responsibilities of the roles are significant.

Department	**CFO Salary**	**Deputy Dept. Head**	**Dept. Size (FTE)**
Dept. of Personnel & Administration	$13,333.33	$16,538.00	523.7
Dept. of Agriculture	--	$12,527.00	317.5
Dept. of Public Hlth. & Environment	$13,970.00	--	1,881.7
Dept. of Transportation	$14,087.00	$16,000.00	3,328.5
Dept. of Human Services	$15,509.00	--	5,343.7
Dept. of Labor and Employment	$14,342.0	$14,342.00	1,724.4
Dept. of Law	$14,500.00	--	630.3
Dept. of Local Affairs	--	$12,533.00	234.0
Dept. of Military & Veteran Affairs	--	$24,894.00	2,491.6
Dept. of Natural Resources	$11,674.00	$14,342.00	1,672.4
Dept. of Early Childhood	$12,810.00	$14,583.34	231.7
Dept. of Public Safety	--	$15,702.00	2,311.8
Dept. of Revenue	$15,203.00	15,750.00	1,715.6
Dept. of Hth. Care Policy and Fin.	$14,760.00	--	787.9

R2: Unclaimed Property Program Staffing: *Sen Kirkmeyer: Can we get information on how many deputies the Department needs?*

Department Response
The Department only has one deputy and there is no change related to that. The Department is requesting a division deputy for its Unclaimed Property division, which represents half of the Department's staffing.

The unit has seen tremendous growth and success in returning funds to claimants. Adding a division deputy would free the division director from claims processing, increase opportunities for data gathering and analysis, and increase unit efficiency.

Technology Requests

R3: Administrative Division Technology: *Sen. Bridges: Do you know if the cybersecurity testing is the same testing as in last year's request? Please provide additional detail on how the proposed testing is different from last year's.*

Department Response for R3:
The required testing is not a duplication of last year's testing, although some of the testing is related. In some cases, systems have changed since last year's test. Some systems have changed since last year's test. Most important, cybersecurity testing requires repetition because outside attacks evolve quickly and happen constantly.

R4: Unclaimed Property Division Technology: *Rep. Sirota: You mentioned that the contracts do not cover the scope of requirements for the division. What is missing? Please provide additional detail.*

Department Response for R4:
The Department has had significant growth in the number of claims processed over the past three years.

Claims paid:

- FY 21 23,462
- FY 22 55,138
- FY 23 58,100
- FY 24 (Ongoing) 35,000

The contract bundles many functions, and the requested increase is related to electronically approved claims. The contract costs are tied to claims volume. As the Department has seen claims grow and increase, the contract has grown as well.

The request represents the difference between what has already been funded and the maximum amount of anticipated auto-approved annual claims.

Other Issues: *Sen. Kirkmeyer: Can you please speak to the reversion of ARPA dollars that were part of SB 21-288? These funds reverted back to the General Assembly? Or to Governor's office?*

Department Response for Other Issues:
The Department reverted $156,000 of its amended ARPA allocation in June of 2023. The funds were reverted to the Governor's Fund, pursuant to § 24-75-226.

DEPARTMENT OF TREASURY

FY 2024-25 JOINT BUDGET COMMITTEE HEARING

WRITTEN RESPONSES ONLY

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

1 Please describe any budgetary or administrative impacts from the implementation of H.B. 21-1110 (Laws for Persons with Disabilities) as it pertains to IT accessibility. Please describe any budget requests that include components related to the implementation of IT accessibility requirements.

For the Fiscal Year 2023-24 budget request Treasury requested and received $367,630 to implement the requirements of HB21-1110. This request is split equally between the General Fund and Unclaimed Property Fund (cash fund). The funding allows the Department to identify and remediate accessibility issues across its websites. The funding breakdown is below:

- *$66,842, one-time, for vendor testing of websites and applications*
- *$267,367, one-time, for vendor remediation to bring sites and applications into accessibility compliance*
- *$33,421 for anticipated ongoing costs related maintenance and licensing*

2 Please identify rules the Department promulgated in FY 2022-23. With respect to these rules, has the Department 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? Has the Department conducted a cost-benefit analysis of Department rules as a whole? If so, please provide an overview of each analysis.

Department Response:

The Colorado SecureSavings Program published rules pursuant to § 24-54.3-107, C.R.S. in December of 2022. The Rules can be found at 8 CCR 1508-3. Pursuant to statute, the Department did not perform a cost-benefit analysis, regulatory analysis, or other similar analyses prior to issuing the rules.

3 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. Please specifically describe the implementation of ongoing funding established through legislation in the last two legislative sessions. 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.

Department Response:

2022 Legislation:

HB22-1359*: Colorado Household Financial Recovery Program* ***(Partially Implemented)***

The Act requires the establishment of the Colorado household financial recovery pilot program in the Department of the Treasury to partner with financial institutions to incentivize lending to low-income individuals and households, including households impacted by the COVID-19 pandemic or its negative economic impacts.

Beginning in Fiscal Year FY 22-23, the Program allocated 0.6 FTE to the Treasury, for workload increases in overseeing the Program, selecting third-party administrators, establishing program policies, and overseeing the administrator's work. The Treasury hired a full-time program coordinator in June of 2023.

A Request for Proposal to administer the Program was solicited in May 2023, with notice of award given in July 2023. The selection committee included members of the Office of Financial Empowerment Council and Treasury staff. The committee selected Impact Development Fund (IDF) to administer the Program's fund, including the administration of the loans, distribution of grants, and marketing and outreach activities. The contract began November 1, 2023. IDF will launch the program in 2024.

2023 Legislation:

HB23-1305*: Continue Health Benefits In Work-related Death* ***(Partially implemented)***

In 2018, the General Assembly created the police law enforcement officers' and firefighters' Continuation of Benefits Board (CBB) in the Department of the Treasury. CCB is responsible for facilitating the continuation of medical and dental benefits for one year for the dependents of first responders who die in a work-related death. The Continuation of Benefits Fund is funded by the General Fund. $150,000 was transferred to the fund on July 1, 2023 and will be transferred in each fiscal year thereafter through FY 2024-25. The CBB is in the process of adopting policies and procedures for implementation.

4 State revenues are projected to exceed the TABOR limit in each of the next two fiscal years. Thus, increases in cash fund revenues that are subject to TABOR will require an equivalent amount of General Fund for taxpayer refunds. Using the attached Excel Template A, please:

Department Response:

a. List each source of non-tax revenue (e.g., fees, fines, parking revenue, etc.) collected by the Department that is subject to TABOR and that exceeds $100,000 annually. Describe the nature

of the revenue, what drives the amount collected each year, and the associated fund where these revenues are deposited.
Please see attached Excel A Template for the two funds subject to TABOR: Unclaimed Property and the State Public School Fund

b. For each source, list actual revenues collected in FY 2021-22, and projected revenue collections for FY 2022-23 and FY 2023-24.
Please see the Excel A Template for this information.

c. List each decision item that the Department has submitted that, if approved, would increase revenues subject to TABOR collected in FY 2024-25.
The Department does not have any decision items that, if approved, would increase revenues subject to TABOR.

5 Please use the attached Excel Template B to summarize the Department's funded and actual FTE for the last five fiscal years and identify the origin of changes in funded FTE. If positions have not been filled, please describe challenges in preventing positions from being filled and how vacancy savings are being utilized.

6 For each line item in the Department with FTE please provide the following information for the last five fiscal years.

a. FTE allocated in the Long Bill and other legislation;

b. Actual FTE;
Department Response:
Please see Appendix A, Excel Template B –Department of Treasury

c. Vacancy rate;
Department Response:
Please see Appendix A, Excel Template B –Department of Treasury

d. Actual expenditures associated with FTE;
Department Response:
FY18-19: $2,355,483
FY19-20: $ 2,432,031
FY20-21: $1,607,205
FY21-22: $3,794,314
FY22-23: $5,129,560

e. Reversions by fund source;
Department Response: *All reversions related to FTE are from the* ***Unclaimed Property Fund.***
FY18-19: $65,267
FY19-20: $54,156
FY20-21: $14,093
FY21-22: $78,186
FY22-23: $217,197

f. Vacancy savings; and,

Department Response: *The reversions are also the Department's vacancy savings for the fiscal years in question.*

g. Amount transferred to the State Employee Reserve Fund (SERF).

Department Response:

FY18-19: $22,069
FY19-20: $4,304
FY20-21: $5,338
FY21-22: $701,147
FY22-23: $918,807

7 Describe General Fund appropriation reductions made in the Department for budget balancing purposes in 2020, and whether the appropriation has been restored with General Fund or another fund source through budget actions or legislation.

Department Response:

The Department (and JBC staff) submitted a budget balancing plan in 2020. However, after presentation to the JBC, the Department received all but $7500 of its budget request that year. The $7500 was a reduction to Unclaimed Property operating costs. The Department did not request this amount to specifically be restored, but it has been with subsequent budget.

8 Provide a list and brief description of all interagency agreements that the Department is party to, including any statutory authority or requirements for specific interagency agreements. Please further describe any appropriations and transfers of funding between departments associated with interagency agreements.

Department Response:

There are two interagency agreements to which the Department is a party:

1. *Pursuant to § 24-36-205(2), C.R.S., the Department has an interagency agreement with the Colorado Housing and Finance Authority (CHFA) for CHFA to act as the loan administrator for the Small Business recovery loan program (the CLIMBER program) created by HB20-1413. The current annual agreement for these services is $200,000. The funding source comes from sales of insurance premium tax credits, which funds the state's participation in the CLIMBER program.*

2. *The Department has an interagency agreement with the Department of Local Affairs (DOLA) regarding the distribution of the Federal Mineral Lease funds authorized and distributed under § 34-63-102, CRS. The funds transferred to DOLA are federal funds and vary on an annual basis. Treasury is a pass-through agency for these funds. Treasury, along with DOLA, is in the process of rewriting this interagency agreement.*

Template A: Treasury

Non-Tax Revenues Collected by Department That Are Subject to TABOR (excluding sources that amount to less than $100,000/year)				
		Revenues Collected Annually		
Revenue Source	Associated Cash Fund	FY 2022-23 Actual	FY 2023-24 Projection	FY 2024-25 Projection
Unclaimed Property distributions that are not exempt from TABOR	Unclaimed Property Fund	$29,786,207	$33,500,000	$36,000,000
Interest Income	Public School Permanent Fund	$230,227	$250,000	$300,000
TOTALS		**$30,016,434**	**$33,750,000**	**$36,300,000**

Part A: Please summarize the Department's funded and actual FTE for the last three fiscal years.

Trend Information: Funded FTE and Actual FTE					
Fiscal Year	**Funded FTE***	**Actual FTE**	**Actual Above/(Below) Funded FTE**	**% Difference**	**Vacancy Rate**
2019-20	32.9	30.4	(2.5)		7.6%
2020-21	38.5	32.5	(6.0)		15.6%
2021-22	41.8	34.2	(7.6)		18.2%
2022-23	48.8	39.5	(9.3)		19.1%
FTE Change over 3 years	10.3	7.0	(3.3)		
% Change over 3 years					

* "Funded FTE" equals the number of full time equivalent positions specified in the annual Long Bill or in appropriation clauses in other acts. These FTE figures reflect the number of positions that correspond to the amounts appropriated.

Part B: Please identify the origin of changes in funded FTE for FY 2021-22, including the number of new positions the Department has been able to fill.

FY 2021-22: Status of New Funded FTE				
Fiscal Year	**Funded FTE**	**Actual FTE**	**Actual Above/(Below) Funded FTE**	**% Difference**
TOTAL BASE: 2020-21	**32.9**	**30.4**	**2.5**	**-8%**
Decision Items:			**0.0**	
FY21-22 R-02 Department Personnel Costs	3.5	(3.5)	**0.0**	**-200%**
FY22-23: R1 Department Staffing	7.0	(3.6)	**3.4**	**-151%**
Bills:			**0.0**	
FY20-21: SB 20-200 CO Secure Savings Prg	5.0	(4.3)	**0.7**	**-186%**
FY21-22: SB21-148 Creation of Financial Empowerment Office	0.4	(0.4)	**0.0**	**-200%**
TOTAL: 2022-23	**48.8**	**18.6**	**6.6**	**-62%**