

**DEPARTMENT OF THE TREASURY
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Wednesday, December 2, 2015
1:30 pm – 2:30 pm**

1:30-1:45 INTRODUCTION AND OPENING COMMENTS

1:45-2:10 UNCLAIMED PROPERTY PROGRAM

1. Please provide information about the Unclaimed Property Program, including:
 - a. The period of time property must lay dormant before it is considered unclaimed;
 - b. All types of property that may be deemed unclaimed after that period of time;

There are several dormancy periods for unclaimed property. The dormancy period coupled with the property description can be found in the table below:

Dormancy Period	Property Description
15-Year	Traveler's Checks
7-Year	Money Orders
5-Year	Checking/Savings Accounts Matured CDs Most Security Deposits Suspense Accounts Dividends Underlying Shares Bearer Bonds (interest and matured principal) Insurance claim payments Individual/Group Policy Benefit Payments Death Benefits due Beneficiary Premium Refund on Individual Policy Agent Credit Balances Unidentified Remittances Proceeds from Mineral Investments (net revenues interest, royalties, minimum royalties) Customer Overpayments Accounts Payable Unrefunded Overcharges Payment for Goods and Services Credit Balances and Accounts Receivable Miscellaneous Outstanding Checks
3-Year	Accounts Held in Fiduciary Capacity Paying Agent Accounts Escrow Accounts Trust Vouchers Some Pension Types (IRA, Keough) Preneed Funeral Payments
2-Year	Endowment and Annuity Policies
1-Year	Payroll/Wages/Salary Dissolution/Liquidation Property (primarily companies, funds, worker's comp benefits and most property held by a court of public agency, i.e. condemnation awards, missing heirs' fund estates, suspense accounts and other deposits with a court or public authority)

- c. Whether or not contents of a safe deposit box can be deemed unclaimed after this period when there are active bank accounts at the same institution;

A safe deposit box does not become unclaimed or abandoned due to inactivity of the owner, BUT FIVE YEARS AFTER THE RENT EXPIRES. Bank regulations

generally cover deducting the rent from an active account to cover the rental of a safe deposit box. It is not unusual to receive several inactive accounts, as well as a safe deposit box, but extremely unusual to receive the contents of a safe deposit box, and learn that the customer had active accounts in the same institution.

- d. The reason for the dramatic growth in the fund over the past five years.

There may be many reasons for the dramatic growth in the Unclaimed Property fund over the past five years, including a greater emphasis by all the states placed on returning unclaimed property to its rightful owner, or heir(s). As such there is more outreach performed by the states with their Holders (the companies that report and remit unclaimed property). For the past several years our Division has increased the number of seminars it holds to inform businesses about their responsibility to report unclaimed property, and to instruct and guide them in completing their reports. The Division has reached out to public agencies, municipalities and businesses throughout the state to provide information and instruction. Also, as a result of restricted budgets the states, Colorado included, are more reliant on the efforts of the third party audit firms to audit out of state, and multistate corporations to ensure that they are complying with the unclaimed property laws.

2. How is the required reserve for the Unclaimed Property Trust Fund calculated?

The reserve for the Unclaimed Property Trust Fund is roughly \$136 million. In essence, this amount represents the amount needed to satisfy existing claims should the Unclaimed Property Trust Fund collect no additional monies. The amount is calculated based on historical data of claims processed for each year.

3. Please provide data on the following:

- a. How many unclaimed property claims are filed per year and how many are processed per year?

	FY 12-13	FY 13-14	FY 14-15	7/1/15 – 11/23/15
Claims Initiated	48,000	59,000	64,000	16,978
Claims Processed	17,568	13,844	14,065	7,281
% Processed	36.60%	23.46%	21.98%	42.88%

- b. What is the average time it takes to process a claim – from the initial receipt of the claim to when the payment is sent?

That is difficult to answer as there are many types of claims, individual, heirship/spouse, heirship/probate, business, claims that have no clear identity of the owner. A claim may take a few minutes to weeks or months depending on the information provided by the claimant to establish ownership. Because the Division received nearly 500 claims a day in March, April, and May, 2015 processing time was 20 weeks (the time it took to get to a received claim to review it). That time has been reduced to approximately 16 weeks, and appears to be continuing to decline.

- c. What is the average dollar amount for claims paid in FY 2014-15? What is the amount of the minimum claim paid and the maximum claim paid in FY 2014-15?

The Division pays a large number of large dollar amount claims, however, adjusting for the large claims the average claim is \$337.00. At this time the division does not have the ability to track the minimum amount paid on a claim. The largest claim paid on an individual claim in FY 2014- 15 was \$849,840.69. A Reciprocal claim was paid to the State of New York for people with a last known address in the State of New York, and one item was \$3,244,198.00, the reported owner was Morgan Stanley, New York, New York, and the funds were turned over to the Treasury by the Colorado Department of Revenue.

4. What is the status of Senator Steadman's claim?

Senator Steadman's claim is in process.

5. How much square footage does the department lease at the Logan Tower? Please provide details on how this space is used.

The Department leases 3,466 sq ft at the Logan Tower, 1580 Logan Street, Denver, CO 80203 to provide office space for 16 ½ FTE, performing all the duties necessary in carrying out the mission of the Unclaimed Property Program to collect unclaimed or abandoned property and return it to the citizens of Colorado who are the rightful owners or heirs. The largest work space houses three claims assistants answer and return incoming calls, receive claims, and additional documentation, and pre- review claims and notify claimants when additional information is required to process their claim; the Audit Intern, how assists the Division's auditors with desk and field audits, as well as perform s special projects for the auditors; and two compliance assistants who review and balance reports, enter unclaimed property report data into the computer system, contacts Holders, and contact Holders about questions, errors, or inconsistent information on the reports. The area contains files for paid claims, and Holder reports from previous years, as well as a heavy duty online printer. The suite contains a locked room housing the Division's server, firewall, and other equipment for the computer system, and a locked room where paid claims are stored until they can be archived in the basement of the Capitol Building. The Unclaimed Property Law requires that Unclaimed Property records (claims and reports) are maintained for five years. The suite has a small conference room which is used to meet with claimants, or Holders who wish to discuss a report or an audit. The conference room is also used to open mail when mail is received during times of heavy volume, which may mean five (5) or more mail baskets per day. From time to time the conference room is also used by Treasury staff who office in the Capitol. There is a small alcove with a copier, to copy, fax and scan, with a work counter and shelves for supplies. The small reception area is designed to facilitate deliveries and walk-in traffic that includes the general public who visit the office to check to see if they have unclaimed property, file a claim, or to check on a claim. The Division receives a fairly large amount of walk-in traffic. The suite contains a small closet that is used for the storage of office supplies, and a small kitchen where staff has access to drinking water, and can fix or store their lunch. Two auditors share an office with the safe deposit manager because it enables them to share information since they all work with Unclaimed Property reports; and their office is adjacent to the Audit Manager for better access and exchange of information. Nearly every space in the suite has multiple uses.

2:10-2:15 HIGHWAY USER TAX FUND

6. What is the formula for Highway User Tax Fund disbursements to counties and municipalities?

The first use of HUTF Funds are for “off-the-top” appropriations. Currently the off-the-top appropriations are limited to the Department of Public Safety for the Colorado State Patrol and to the Department of Revenue for the Ports of Entry Program and the Motor Vehicle Division. By statute, the distributions to these two Departments cannot increase more than 6 percent annually. Once “off-the-top” appropriations are made, there are two additional distributions from HUTF that goes to CDOT, counties and municipalities. These two types of distributions from the HUTF are the First Stream and Second Stream. Each of these “streams” is described below.

***First Stream.** The source of revenue for the first distribution stream is the first 7 cents of the excise tax on motor fuel. The first stream also includes miscellaneous collections from motor vehicles, drivers' licenses, and court fines. The first distribution is currently apportioned at 65 percent to CDOT, 26 percent to 62 of 64 Colorado counties, and 9 percent to about 270 municipalities throughout the State. (Note: The Cities and Counties of Denver and Broomfield are statutorily classified as municipalities for purposes of the HUTF distribution.)*

***Second Stream.** The second distribution stream is comprised of revenue from fuel taxes in excess of 7 cents per gallon. That is, the second stream consists of the next 15 cents of the 22 cents per gallon gasoline tax and the next 13.5 cents of the 20.5 cent per gallon special fuels tax. The second stream also includes miscellaneous revenue from a portion of drivers' license fees and motor vehicle registrations. The second distribution stream is apportioned at 60 percent to CDOT, 22 percent to the counties, and 18 percent to the municipalities.*

2:15-2:25 SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION

7. Please describe the process a senior citizen must go through to file for and receive a property tax exemption.

A property tax exemption is available to senior citizens, surviving spouses of senior citizens, and disabled veterans. For those who qualify, 50 percent of the first \$200,000 in actual value of their primary residence is exempted from property taxation. The state pays the exempted portion of the property tax.

The property tax exemption for seniors and disabled veterans is administered by the Department of Local Affairs, but the Treasurer's office is responsible for the distribution of state funds to counties representing the amount issued in exemptions.

**Note: the property tax exemption program was suspended for tax years 2003, 2004 and 2005; and only funded for veterans during tax years 2009, 2010 and 2011.*

Requirements for Eligibility, Seniors

- *Applicant must be a senior who is 65 or older or a surviving spouse of a senior who previously qualified for the exemption.*
- *Applicant must have owned and occupied the property as their primary residence for ten or more years.*
- *Fifty percent of the first \$200,000 in actual property value is exempt from property taxation.*

Requirements for Eligibility, Disabled Veterans

- *Applicant must be a disabled veteran who has been rated by the U.S. Department of Veterans Affairs as permanently disabled. (VA unemployability awards do not meet the requirement for determining an applicant's eligibility.)*
- *Applicant must have owned and occupied the property as their primary residence on January 1st of the year in which they are applying for the exemption. (If the veteran's spouse is an owner and the veteran is not, the veteran can still qualify if the couple was married on or before January 1 and both have occupied the property as their primary residence since January 1.)*
- *Fifty percent of the first \$200,000 in actual property value is exempt from property taxation.*

Procedure, Seniors

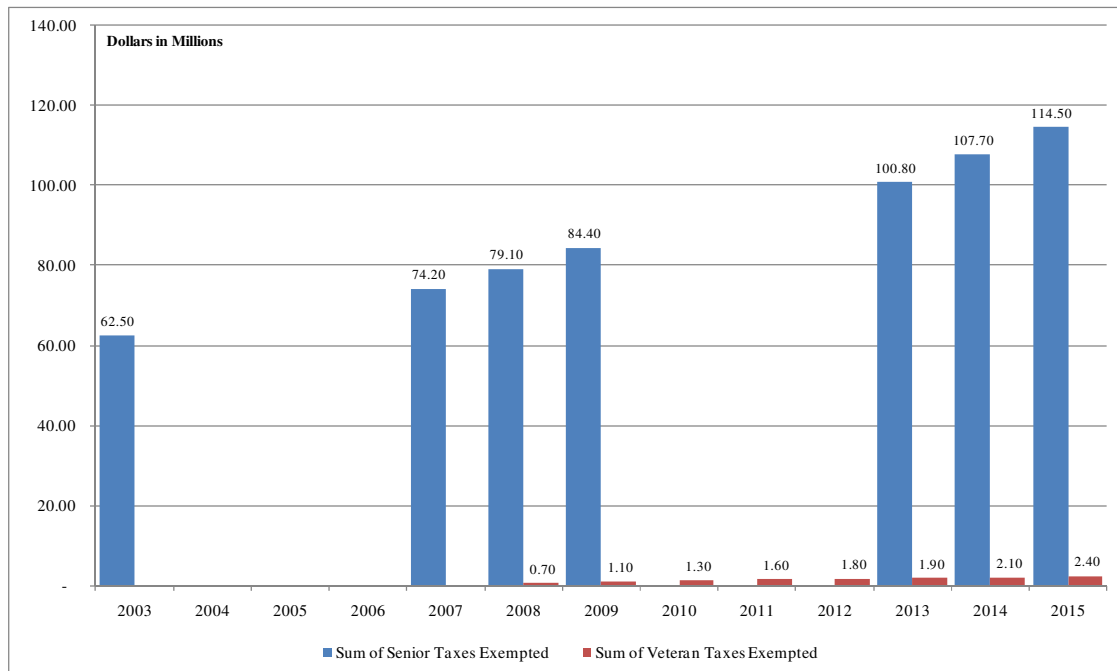
- ***Seniors and/or surviving spouses who qualify for the property tax exemption must submit an application to their county assessor between January 1st and July 1st of the year they qualify.***
- ***The state Treasurer’s office distributes state funds to the county where the exempted property is located.***

Procedure, Disabled Veterans

- ***Disabled Veterans who qualify for the property tax exemption must submit an application to their county assessor between January 1st and July 1st of the year they qualify.***
- ***The state Treasurer’s office distributes state funds to the county where the exempted property is located.***

*****Note: Once an exemption application is filed and approved by the assessor, the exemption remains in effect until a disqualifying event occurs.***

8. Please provide a graphic of property tax reimbursements to counties since the inception of the senior citizen property tax exemption program. Include data for disabled veterans in appropriate years.



ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.

There is no legislation that the Department has either not implemented or only partially implemented.

2. Please provide a detailed description of all program hotlines administered by the Department, including:
 - a. The purpose of the hotline;
 - b. Number of FTE allocated to the hotline;
 - c. The line item through which the hotline is funded; and
 - d. All outcome data used to determine the effectiveness of the hotline.

The Department has no hotlines that it administers.

3. Describe the Department's experience with the implementation of the new CORE accounting system.
 - a. How has the implementation improved business processes in the Department?

While the implementation of CORE will ultimately yield benefits over its outdated predecessor, due to its infancy it is difficult to identify any specific business processes that have improved to date.

- b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?

The main challenge, or frankly frustration, with the implementation of CORE has been the lack of "adequate" support from the CORE implementation team. There have been numerous occasions where Treasury staff is literally "training" the CORE implementation team on what functions it needs to function on a daily basis. Furthermore, we have been told on numerous occasions that various reports cannot be generated in CORE without additional funds being expended. Most of these issues remain unresolved to date.

- c. What impact have these challenges had on the Department's access to funding streams?

To date there have been no ill effects on Treasury's access to funding streams due to the slow implementation of CORE. However, CORE will delay the release of the State's Certified Annual Financial Report which, if it is delayed more than is already anticipated will most definitely adversely affect the State's ability to access the Capital Markets (Bond Markets in particular).

- d. How has the implementation of CORE affected staff workload?

Staff workload has significantly increased since CORE first began being implemented. This workload is expected to return to normal once CORE is fully implemented and functioning properly.

- e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it. If the Department is not requesting additional funding, how what funds will be used to pay for the increased staff?

The implementation of CORE will not create the need for a permanent increase in staff.

4. If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.

The Department receives no federal funding for operations.

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

The Department does not have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented".

6. Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?

The Department is not involved with any public awareness campaigns related to marijuana.

7. Based on the Department's most recent available record, what is the FTE vacancy rate by department and by division? What is the date of the report?

Report date of June 30, 2015, for FY 2014-15, the FTE vacancy rate for the department was 7.8%. Administration was 12.8% and Unclaimed Property was 2.6%.

8. For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?

Yes, there are several line items that had reversions in the FY 2014-15 budget. Each reversion with its applicable fund source can be found in the table below along with the various reasons for each.

REVERSION DATA						
Long Bill Line Item	Expenditure Authority	Actual Expenditures	Delta	Amounts Reverted To:		
				General Fund	Cash Fund	
Administration						
Personal Services	\$ 1,391,252	\$ 1,384,825	\$ 6,427	\$ 6,427	\$ -	(1)
Health, Life and Dental	238,320	223,108	15,212	-	15,212	(1)
Short-Term Disability	4,070	4,038	32	-	32	(1)
Amortization Equalization Disbursement	75,617	73,996	1,621	-	1,621	(1)
Supplemental Amortization Equalization Disbursement	70,891	69,307	1,584	-	1,584	(1)
Operating Expenses	184,734	174,364	10,370	10,370	-	(1)
IT Asset Maintenance	12,568	11,336	1,232	1,160	72	(1)
Legal Services	56,931	9,760	47,171	19,667	27,504	(1)
Charter School Facilities Financing Services	5,000	3,861	1,139	-	1,139	(1)
Discretionary Funds	5,000	3,530	1,470	1,470	-	(1)
Unclaimed Property Program						
Personal Services	\$ 850,722	\$ 848,653	\$ 2,069	\$ -	\$ 2,069	(1)
Operating Expenses	162,169	118,401	43,768	-	43,768	(1)
Promotion and Correspondence	200,000	197,795	2,205	-	2,205	(1)
Leased Space	57,189	55,456	1,733	-	1,733	(1)
Special Purposes						
Property Tax Reimbursement for:						
Property Destroyed by Nature	\$ 2,221,828	\$ 1,096,496	\$ 1,125,332	\$ 1,125,332	\$ -	(2)
Totals	\$ 5,536,291	\$ 4,274,926	\$ 1,261,365	\$ 1,164,426	\$ 96,939	
REASONS FOR REVERSIONS						
(1) Reversions took place due to beginning year estimates being slightly different from actuals						
(2) Treasury was not part of the estimates for the Property Tax Reimbursement for Property Destroyed by Nature for FY2014-15. Treasury was only tasked with administering the program.						

9. Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?

The Department receives no federal funds for operations.

10. For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?

For FY 2014-15, the Department did not exercise a transfer between lines.

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[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/\\$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf)

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9. Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?
10. For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?