

Joint Budget Committee



Supplemental Budget Requests FY 2024-25

Department of Treasury

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared by:
Louellen Lowe, JBC Staff
January 17, 2025

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor • Denver • Colorado • 80203
Telephone: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

Contents

| | |
|--|---|
| Overview of Department | 1 |
| Summary of Staff Recommendations | 1 |
| FY 2024-25 Description of Incremental Changes..... | 2 |
| Prioritized Supplemental Requests..... | 3 |
| S1 OIT real time billing | 3 |
| S2 Admin software costs..... | 4 |
| S3 Unclaimed property ops..... | 5 |
| S4 TC OSPB December forecast | 6 |
| Staff-initiated Supplemental Requests | 7 |
| Staff-initiated letternote corrections..... | 7 |
| Statewide Common Policy Supplementals | 8 |

Overview of Department

The State Treasurer is one of five independently elected constitutional officers of the state. The Department of the Treasury consists of three sections in the Long Bill: Administration, Unclaimed Property Program, and Special Purpose unit.

Administration

The Administration Division manages daily accounting, cash flow, debt, and investments for the state. It makes sure cash accounts contain enough funds to meet the state's daily cash needs. The Division also invests funds received by state agencies. Investment officers manage five investment portfolios. Income earned on state investments adds to the state's revenues from taxes and fees. The Division's debt manager helps manage, issue, or make payment on certain state debt.

Unclaimed Property Division

The Unclaimed Property Division takes custody of dormant or abandoned property and returns it to the owners or heirs. The value of intangible property, excluding securities, is held in the Unclaimed Property Trust Fund (UPTF). 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.

The UPTPTF is managed separately from the four remaining investment accounts. Statute¹ requires twenty-five percent of earned interest on this fund go to the Colorado State Fair Authority Cash Fund. Sixty-five percent must go to the Agriculture Management Fund. Ten percent must go to the Colorado Travel and Tourism Promotion Fund.

Special Purpose Division

The Department receives pass-through funding for programs in the Special Purpose Division. It does not directly administer most of the programs but disburses the funds to the authorized recipients. Funding is estimated for reimbursements to counties for the Homestead and the Business Personal Property Tax Exemptions. Funding for payments to counties and cities from the Highway User Tax Fund is also included. Finally, the Division receives the state payment to the Colorado Public Employees Retirement Association (PERA) for the unfunded liability. Other programs have historically been added to this division as needed.

Summary of Staff Recommendations

Department of the Treasury: Recommended Changes for FY 2024-25

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | FTE |
|----------------------------------|---------------|---------------|---------------|-----------------|------|
| FY 2024-25 Appropriation | | | | | |
| HB 24-1430 (Long Bill) | \$952,481,612 | \$466,724,057 | \$403,938,602 | \$81,818,953 | 61.5 |
| Other Legislation | 108,971 | 108,971 | \$0 | \$0 | 0.5 |
| Current FY 2024-25 Appropriation | \$952,590,583 | \$466,833,028 | \$403,938,602 | \$81,818,953 | 62.0 |

¹ Section 38-13-116.7, C.R.S.,

Department of the Treasury: Recommended Changes for FY 2024-25

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | FTE |
|---|----------------------|----------------------|----------------------|---------------------|-------------|
| Recommended Changes | | | | | |
| Current FY 2024-25 Appropriation | \$952,590,583 | 466,833,028 | \$403,938,602 | \$81,818,953 | 62.0 |
| S01 OIT real time billing | 30,124 | 14,010 | 16,114 | 0 | 0.0 |
| S02 Admin software costs | 0 | 0 | 0 | 0 | 0.0 |
| S03 Unclaimed property ops | 0 | 0 | 0 | 0 | 0.0 |
| S04 TC OSPB December forecast | 0 | 0 | 0 | 0 | 0.0 |
| Staff-initiated letternote corrections | 0 | 0 | 0 | 0 | 0.0 |
| Statewide common policy supplemental requests | 94 | 94 | 0 | 0 | 0.0 |
| Recommended FY 2024-25 Appropriation | \$952,620,801 | \$466,847,132 | \$403,954,716 | \$81,818,953 | 62.0 |
| Recommended Increase/-Decrease from 2024-25 | \$30,218 | \$14,104 | \$16,114 | \$0 | 0.0 |
| Percentage Change | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| FY 2024-25 Executive Request | \$952,590,583 | \$466,833,028 | \$403,938,602 | \$81,818,953 | 62.0 |
| Staff Rec. Above/-Below Request | \$30,218 | \$14,104 | \$16,114 | \$0 | 0.0 |

FY 2024-25 Description of Incremental Changes

S01 OIT real time billing: The request includes an increase of \$30,124 total funds, including \$14,010 General Fund and \$16,114 cash funds from the Unclaimed Property Trust Fund, associated with the Department’s payment to the Office of Information Technology. The Department utilizes some services of OIT but is not an affiliated agency. Therefore, this request is not part of the statewide common policy supplemental request and is handled separately. The recommendation is to treat this request in the same manner as the statewide common policy supplemental request for OIT real time billing.

S02 Admin software costs: The request includes an increase of \$14,137 General Fund to support increased payments for the Bloomberg Asset and Investment Manager service, which is a tool utilized by investment personnel in the Department. The recommendation is to not approve the request.

S03 Unclaimed property ops: The request includes an increase of \$47,430 cash funds from the Unclaimed Property Trust Fund to support increased postage and mailing costs and increased claims processing in the Unclaimed Property Division. The recommendation is to not approve the request.

S04 TC OSPB December forecast: The request includes a decrease of \$15.4 million to align informational appropriation amounts for the Homestead Exemption and the Business Personal Property Tax Exemption programs with the OSPB December forecasted expenditures. The recommendation is to not approve the request as this appropriation is for information only and will be updated again with the OSPB March forecast.

Staff-initiated letternote corrections: The recommendation is to correct technical drafting errors in two letternotes in the Department’s section of the FY 2024-25 Long Bill. These corrections have a neutral impact on the budget.

Statewide common policy supplemental requests: The request includes an increase of \$94 General Fund for a non-prioritized request associated with statewide common policy requests. The increase is associated with adjustments to the Department’s payment for state property risk management which is determined through common policies. The prioritized versions of these requests will be presented during the supplemental presentations for the Department of Personnel (vehicle and state property). The recommendation is pending Committee action on common policy supplementals.

Prioritized Supplemental Requests

S1 OIT real time billing

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|---|-------------|--------------|------------|-----------------|---------------|-----|
| Request | 30,124 | 14,010 | 16,114 | 0 | 0.0 | 0.0 |
| Recommendation | 30,124 | 14,010 | 16,114 | 0 | 0.0 | 0.0 |
| Staff Recommendation Higher/-Lower than Request | \$0 | \$0 | \$0 | \$0 | \$0 | 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 was 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 was not available when the original appropriation was made.

Request

The Department requests an increase of \$30,124 total funds, including \$14,010 General Fund and \$16,114 cash funds from the Unclaimed Property Trust Fund, associated with the Department’s payment to the Office of Information Technology. As an Independent agency, the Department utilizes the services of OIT but is not an affiliated agency. Therefore, this request is not part of the Executive Branch statewide common policy supplemental request and is requested separately.

Recommendation

Staff recommends treating this request in the same manner as the statewide common policy supplemental request for OIT real time billing.

Analysis

Realtime billing is utilized as a method to account for services delivered by the Governor’s Office of Information Technology. The goal is to increase transparency to agencies regarding the services purchased and provided. OIT sets service rates each fiscal year and works with Departments to estimate utilization as part of the annual budget process. However, due to the advanced timeline of the annual budget process, OIT and the Departments continue to evaluate the initial estimates throughout the fiscal year to monitor for changes in services consumption and expenses. Ultimately, this results in changes to Department appropriations to accommodate actual expenditures and payment for services. See the JBC Staff Supplemental Budget Request for the Office of the Governor for more information.

S2 Admin software costs

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|---|-------------|--------------|------------|-----------------|---------------|-----|
| Request | \$14,137 | \$14,137 | \$0 | \$0 | \$0 | 0.0 |
| Recommendation | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Staff Recommendation Higher/-Lower than Request | -\$14,137 | -\$14,137 | \$0 | \$0 | \$0 | 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 was 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 was not available when the original appropriation was made.

Request

The Department requests an increase of \$14,137 General Fund to support increased payments for the Bloomberg Asset and Investment Manager software, which is a tool utilized by investment personnel in the Department. The recommendation is to not approve the request.

Recommendation

Staff does not recommend approval of the request as it could be covered utilizing vacancy savings in the Department.

Analysis

The supplemental budget request would provide additional General Fund to cover additional expenses related to Bloomberg Software which is utilized by the Investments division. The Bloomberg software provides live prices and yields in the markets in which the Treasury actively buys and sells securities. It is utilized by four staff members within the Investments division, including two investment officers, one analyst, and the Chief Investment Officer. They manage the State of Colorado's \$19 billion investment portfolio.

The billing cycle for the Bloomberg service is bi-annual and runs on the Calendar Year. On September 30, 2024, the Department was notified of a price increase related to its services for the 2025 calendar year. The rate is then locked in for two years so that the next increase will occur during the 2027 Calendar Year. The pricing increase effective January 1, 2025 reflects a 6.5% increase over the next two years. The Department indicates that without the appropriate funding, it could limit its investment team's utilization of the software and hamper its ability to fulfill its mission and duty to the State.

As a lean Department, the Department's operational costs are largely fixed with limited flexibility. Further research into certain centrally appropriated items demonstrates the Department historically has expended almost all of their appropriations on the items for which they were appropriated. However, the Department currently has 2.5 FTE vacancies for FY 2024-25, the savings from which could be utilized to cover this incremental increase for the current fiscal year. The Department has included the increase needed to support the software in its budget request for FY 2025-26. JBC Staff does not recommend approving this supplemental request.

S3 Unclaimed property ops

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|---|-------------|--------------|------------|-----------------|---------------|-----|
| Request | \$47,430 | \$0 | \$47,430 | \$0 | \$0 | 0.0 |
| Recommendation | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Staff Recommendation Higher/-Lower than Request | -\$47,430 | -\$0 | -\$47,430 | \$0 | \$0 | 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 was not available when the original appropriation was made; or an unforeseen contingency.]

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

Request

The Department requests an increase of \$47,430 cash funds from the Unclaimed Property Trust Fund to support increased postage and mailing as well as increased claims volume in the Unclaimed Property Division.

Recommendation

Staff recommends that the Committee not approve the request.

Analysis

Background

In FY 2023-24, the Unclaimed Property (UP) team resolved 73,900 claims. In the same year, it absorbed a postage increase of \$0.09 per unit which resulted in \$6,651 additional costs over budgeted amounts. The team is estimating/projecting that it will clear 133,000 claims in FY 2024-25, which would be an increase of 59,100 claims over last year at \$0.69 per unit. The combined effect of the increased postage costs and the estimated increased claims will result in a shortfall of \$40,779 for claims processed in the current fiscal year. The total amount requested, \$47,430 cash funds, accounts for cost overruns in both FY 2023-24 and the projected cost overruns in the current fiscal year.

The Department did not request an increase for postage or claims volume for FY 2024-25, and in response to JBC staff questions, it responded that it has “historically held off on requesting additional funding for expenditures correlated with claims until [they] have a better understanding for estimates and forecasts claims resolved in a given year.” If the Department cannot find the funding to cover the cost increases, it could delay claims processing. The Department is required to review claims by 90 days and pay out claims by 30 days; failure to do so in the past has resulted in negative audit findings for the Department.

Recommendation

Though the request does not involve a General Fund appropriation, any appropriation of the Unclaimed Property Trust Fund has TABOR implications. The Unclaimed Property Trust Fund principle exists outside of the State’s TABOR district until it is appropriated, at which point it crosses into the State’s TABOR district and is counted as revenue (Section 38-13-801 (1)(b) and (2)(d) C.R.S.) Therefore, this request would effectively drive out available General Fund in the current fiscal year as the State is in a refund posture.

Additionally, though the magnitude of claims increases in FY 2024-25 could not be fully known at the time of the appropriation, it’s reasonable to believe the Department anticipated it would continue increasing claims

processing given it has received additional tools from the State to expedite claims processing. It's possible the Department did not fully realize the extent of the impact of the postage increase until budgets were closed at the end of FY 2023-24, but JBC staff has struggled to reconcile the Department's oversight of this matter in its request in the current fiscal year.

Per information provided by the Department in response to Common Questions asked by the Committee as part of budget hearings, the Department has indicated that as of November, it had 2.0 FTE vacancies in FY 2024-25 in the Unclaimed Property Division. One of the vacancies will not be filled in the current fiscal year. Most of the program's other operating costs are fixed and/or tied to the fluctuation in claims processing making it more challenging for them to find savings elsewhere to pay for this increase. However, staff believes it's possible for the Department to cover the costs this year utilizing vacancy savings. Therefore, staff does not recommend approving the request.

S4 TC OSPB December forecast

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|---|---------------|---------------|------------|-----------------|---------------|-----|
| Request | -\$15,400,884 | -\$15,400,884 | \$0 | \$0 | \$0 | 0.0 |
| Recommendation | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Staff Recommendation Higher/-Lower than Request | -\$15,400,884 | -\$15,400,884 | \$0 | \$0 | \$0 | 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 was 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 was not available when the original appropriation was made.

Request

The Department requests a decrease of \$15.4 million to align informational appropriation amounts for the Senior Citizen and Disabled Veteran Property Tax Exemption (Homestead) and the Business Personal Property Tax Exemption programs with the OSPB December forecasted expenditures.

Recommendation

The recommendation is to not approve the request as this appropriation is for informational purposes only and will be updated again with the OSPB March forecast.

Analysis

Long Bill appropriations for the Senior Citizen and Disabled Veteran Property Tax Exemption and the Business Personal Property Tax Exemption programs are included for informational purposes. They reflect estimates of money to be paid to counties to reimburse them for lost property tax revenues related to these programs. These amounts are not subject to the limitation on General Fund appropriations set forth in Section 24-75-201.1 (1)(a).

Each forecast provided by OSPB and LCS updates this amount based on actual and anticipated exemptions filed and actual and anticipated property tax values. Additionally, these fluctuating amounts are captured in General Fund overviews as part of revenue and expenditure reporting utilizing data provided by the forecasts.

Because the FY 2024-25 amount is anticipated to change again in the March forecast, the amounts are for informational purposes only, and recognizing that the totals are captured in other statewide balancing and budgeting tools provided by the JBC Staff Director, JBC Staff does not recommend changes at this time.

Staff-initiated Supplemental Requests

Staff-initiated letternote corrections

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|---|-------------|--------------|------------|-----------------|---------------|-----|
| Request | \$0 | \$0 | \$0 | \$0 | \$0 | 0.0 |
| Recommendation | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Staff Recommendation Higher/-Lower than Request | \$0 | \$0 | \$0 | \$0 | \$0 | 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 was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff made a technical error in the drafting of the Long Bill in regards to the letternotes identified below.

Recommendation

Staff recommends that the Committee approve the letternote corrections.

Analysis

During the review of the FY 2024-25 Long Bill (H.B. 24-1430) over the 2024 interim, staff found drafting errors in the letternotes in the Special Purpose Division and in the Department Totals letternotes:

- 1 Special Purpose, Direct Distribution for Unfunded Actuarial Accrued PERA Liability, missing (I) note and letternote:
 - a. Per, Section 24-51-414 (5), C.R.S. appropriations for the Direct Distribution for Unfunded Actuarial Accrued PERA Liability are included for informational purposes only. However, the General Fund appropriation is missing the (I) notation and an accompanying letternote. **JBC staff recommends adding the missing (I) notation on the General Fund appropriation and adding new letternote “j” to read as follows:**
 - i. “Pursuant to Section 24-51-414 (5), C.R.S., this amount is included in the general appropriation bill for informational purposes and for the purpose of complying with the limitation on state fiscal year spending imposed by Section 20 of Article X of the State Constitution and represents the estimated amount of the total distribution that is attributable to public education from kindergarten through the twelfth grade.”
- 2 Department totals, letternote “a”:
 - a. Letternote “a” identifies \$293,070,323 containing an (I) notation. The total reflected should be \$358,441,470 General Fund included for informational purposes only.
 - i. The current amount of \$293,070,323 is over-inflated. This amount includes \$100.0 million for COP payments which are not part of informational appropriations.
 - ii. Changes made per the Special Purpose item above will increase the informational amount by \$165.4 million.

General Fund appropriations included for informational purposes only in the Department include payments for the Senior Citizens and Disabled Veteran Property Tax Exemption (Homestead), the Business Personal Property Tax Exemption, and the Direct Distribution for Unfunded Actuarial Accrued PERA Liability. **Staff recommends correcting the errors identified above to add the missing (I) notation, add a new letternote, and to reflect the correct total of \$358,441,470 in letternote “a” of the Department’s totals.**

Statewide Common Policy Supplementals

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

| Department's Portion of Statewide Supplemental Requests | | | | | | |
|---|-------------|--------------|------------|-----------------|---------------|-----|
| Supplemental | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
| SNP Risk management | \$94 | \$94 | \$0 | \$0 | \$0 | 0.0 |
| Total | \$94 | \$94 | \$0 | \$0 | \$0 | 0.0 |

The staff recommendation for these requests is pending Committee action on common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee acts on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.