STATE OF COLORADO DEPARTMENT OF THE TREASURY

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Department of the Treasury
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MISSION STATEMENT

The Colorado State Treasury is the constitutional custodian of the public's funds. It is the Treasury's duty to manage and account for taxpayer dollars from the time they are received until the time they are disbursed. The Treasury's staff is committed to safeguarding and managing the people's money with the same diligence and care as they do their own.

VISION STATEMENT

The Colorado State Treasury staff will continually strive to better serve the taxpayers of Colorado. Central to this goal is the continued introduction and use of new technologies to provide improved access to services for both taxpayers and other governmental agencies.

MAJOR FUNCTIONS OF THE TREASURY DEPARTMENT

The Colorado Department of the Treasury's (the "Department" or "Treasury") budget is organized in five distinct sections: **Administration, CLIMBER, SecureSavings, Unclaimed Property,** and **Special Purpose.** The Department currently provides a myriad of services to Colorado's citizens including:

- Overseeing and directing State banking services, with an eye towards efficiency and technological innovation
- On a daily basis, recording and reconciling all funds that flow through the State's operating account
- Safely and thoughtfully investing $19 billion, on average, in State funds to augment State revenue and decrease tax burdens
- Providing debt management services to State departments and agencies, including structuring financial obligations and refinancing prior obligations when appropriate
- Working with the CLIMBER Board to provide Colorado small businesses affected by the pandemic access to a $250 million loan program
- Working with the SecureSavings Board to direct a transferable retirement program for small business employees, which will positively impact close to one million Coloradans

ADMINISTRATION

The Department's Administrative Unit provides banking and investment services for all funds deposited with the state treasury, as well as advising and overseeing on short- and long-term financial obligations.

Funds deposited in State accounts are invested in statutorily-authorized investments. Simultaneously, the Treasury ensures that sufficient funds are maintained in cash accounts to meet the State's daily cash needs. Income earned on investments augments the State's revenues from taxes and fees and decreases the tax burden on Colorado's taxpayers.

Accounting

On a daily basis, the accounting unit records and reconciles all the cash that flows into and out of the State's operating account. The accounting unit also manages the disbursement of flow-through funds such as the Highway User's Tax Apportionment, Minerals Management Funds, and miscellaneous federal funds. Within the Treasury, the accounting staff has significant additional responsibilities. These include:

- Calculation and allocation of monthly investment earnings to those funds eligible to receive interest;
- Daily reconciliation of the State's cash and investments;
- Accounting for and distributing the payments the State receives under the Master Tobacco Settlement Agreement and the Tobacco Tax moneys collected under Amendment 35 and Proposition EE;
- Management of the Property Tax Deferral Program for Seniors and Active Military Personnel;
- Verifying and disbursing payments for the Senior Citizen and Disabled Veteran Property Tax Exemption Program;
- Issuing cash flow notes on behalf of school districts participating in the State's interest-free school loan program, including ongoing monitoring of actual verses. projected cash flow information;
- Administering the K-12 school district intercept program and the higher education intercept program;
- Administering the Charter School Intercept and Moral Obligation Credit Enhancement Program; and
- Accounting for the investment of custodial funds from state-issued Certificates of Participation and Enterprise Revenue Bonds deposited with the Treasury.

The Accounting Unit also provides cashier services for the State. Cashiers are responsible for daily tracking of all cash receipts, monitoring deposits made by other agencies into the State's operating account, updating the State's bank balances throughout the course of each day, and initiating electronic transfers from the State to recipients of state and fiduciary funds.

Finally, the Accounting section handles the department's internal administrative functions such as budgeting, payroll, accounts payable, and purchasing. Treasury recently added an IT Professional to the department; however, it also has an agreement with the Governor's Office of Information Technology which hosts Treasury's server and provides IT support.

Cash Management

Treasury's Banking Relationship Manager manages the State's banking service agreements. The State currently maintains agreements with five primary banks: 1) KeyBank provides lockbox services for various State agencies including Colorado Parks and Wildlife, the Department of Labor and Employment, the

Department of Health Care Policy and Financing, the Department of Regulatory Agencies (Division of Insurance), History Colorado, and the Office of Information Technology; 2) Wells Fargo maintains the State's operating and payables accounts, as well as transactional accounts in remote areas of the State from which deposits are regularly swept to the main operating account; 3) US Bank provides debit card and direct deposit services to the State's unemployed citizens through the Department of Labor and Employment; 4) JPMorgan Chase provides online payment services for the Department of Revenue for tax payments; in addition to some payments for the Department of Labor and Employment; 5) Principal Bank provides custody and safekeeping services. On-going banking efforts include ensuring effective bank services and controls for State agencies, evaluation of technological changes to reduce costs and increase efficiency, closing unused or redundant bank accounts, opening new accounts or cash management services for State agencies, and assisting with the resolution of any concerns or problems between State agencies and the banks.

The Banking Relationship Manager is the State's administrator for the Cash Management Improvement Act (CMIA) agreement with the federal government. CMIA regulates the transfer of federal grant funds among federal and State agencies. CMIA regulations require State agencies to request reimbursement from federal agencies for grant disbursements following a process that minimizes bank balances, avoids negative balances, and eliminates interest earnings. Excess or deficit interest earnings, if any, are calculated each year and paid by the entity with the liability. The Banking Relationship Manager manages the CMIA on behalf of State agencies and is the primary contact for the Federal Management Service. Pursuant to federal regulations, Treasury identifies grants to be included in the agreement (those in excess of $120.6 million) and calculates State disbursement patterns that are the basis of the reimbursement schedules. The Treasury negotiates the annual agreement and prepares the annual report of excess or deficit interest earnings.

Debt Management

The Treasury's debt management division's mission is to ensure the state's ability to meet its financial obligations considering costs, objectives, and statutory and regulatory parameters regarding division policies, rules, and guidelines. Part of this function is to consolidate and manage the state's public financing needs to ensure that those payment obligations under the division's purview are fulfilled. Senate Bill 12-150, codified at §24-36-121, C.R.S., et seq., consolidated the State's debt management activities and assigned them to the Treasury Department.

In this role, Treasury coordinates and oversees all aspects of debt management offering its subject matter expertise related to the structuring of financial obligations on behalf of state departments, agencies, and other state entities seeking assistance both in process and effort while reducing risk. Additionally, the division regularly reviews the state's outstanding financial obligations to identify refunding or refinancing opportunities in order to produce both present value and future cash flow savings for the state.

As part of this work, Treasury works in conjunction with the State Attorney General to ensure post-issuance compliance required by both the Securities Exchange Commission (SEC) and the Internal Revenue Service (IRS).

Short-term Note Issuance

Treasury directs the regular issuance of two short-term note programs on behalf of the state in addition to the oversight of the longer-term financial obligations. Most notably the short-term programs are the General Tax and Revenue Anticipation Notes (GTRANs). The Treasury does similar work on behalf of the

Colorado school districts – Education Tax and Revenue Anticipation Notes (ETRANs). Repayment of these short-term program issuances are completed within the same fiscal year they are issued.

<u>GTRANs</u> - Treasury issues these notes to meet liquidity needs throughout the year due to the irregular inflows of revenues to the State. GTRANs financing provides funds in months when the State's General Fund is expected to experience a deficit. Proceeds from investment earnings and offering premium supports the payment of interest on the notes including costs of issuance. GTRANs were not issued in FY 2022-23 due to the State's positive cash position with no anticipation of need in FY 2023-24.[1]

<u>ETRANs</u> - Treasury issues these notes twice in the fiscal year on behalf of the participating Colorado school districts to make interest-free loans to alleviate temporary cash flow deficits. In July 2022, the Treasury issued $350 million in ETRANs (Series 2022A). In January 2023, the Department issued an additional $425 million (Series 2022B). Both sets of notes matured in June 2023. The General Fund pays the interest due on the notes but principal repayment comes from the property tax collections of the local school districts participating in the program. In July 2023, the Treasury issued $500 million in ETRANs (Series 2023A) to fund the 24 participating school districts for the FY 2023-24 school year. An additional anticipated issuance of Series B notes will occur in early 2024. As with past issuances, both note series will mature at the end of the fiscal year, in June.

[1] The State last issued GTRANs in FY 2020-21

Higher Education Revenue Bond Intercept Program

The State Higher Education Intercept Program provides a credit enhancement tool for all qualifying state public universities/colleges giving them the opportunity, through use of the state's strong credit rating, to obtain the best potential financing rates available for their capital construction or capital renewal projects. Pursuant to Section §23-5-139, C.R.S. projects that are to be constructed or acquired in whole or in part are subject to review by the State Treasurer. Senate Bill 22-121 permitted all public higher education institutions governing boards to pledge up to 100% of their tuition revenue giving them more flexibility to access lower capital costs.

Refunding bonds that were previously financed under the Intercept Program must result in a lower ultimate cost to the institution, and must not extend the term of the debt or increase the debt servicing. Such bonds must be approved by the Department. The Department takes into consideration a higher education institution's pledged revenues; General Fund appropriations (limited to the appropriation for stipends and fee-for-service contracts), debt obligations and debt service coverage ratio in its review. Three public institutions have refunded various program obligations since February 2022. Colorado Mesa University[2], Metropolitan State University of Denver and Colorado State University[4] each refunded bonds creating a net present value savings of $4.35 million, $1.56 million and $3.59 million ($9.5 million total) savings respectively.

[2] Colorado Mesa University refunded 2012A, 2012B, 2013, 2016 and 2019B Series Bonds.
[3] Metropolitan State University of Denver refunded 2016 Series Bonds.
[4] Colorado State University refunded 2015C, 2017A, 2017C, 2017E, 2019A and 2019B Series Bonds; all university applicants meeting the requirements outlined §23-5-139(1)(b)(II), C.R.S. (2022

Colorado Operations Resource Engine (CORE) Upgrade Project
Section §24-30-202 (12), C.R.S. authorizes the Department of Personnel and Administration to operate a statewide accounting, procurement, and budget enterprise resource planning (ERP) system, which allows the state to manage and integrate the financial operational and reporting functions of the state government. CORE has been operational for more than 10 years and needed to be expanded and updated to meet the needs of the state while maintaining the security of the financial data stored within.

In August 2022, the state secured the $9.78 million in COPs for the required upgrade to CORE.

Unemployment Insurance Trust Fund Financing
Prior to the pandemic, the state had accumulated a significant fund balance in the Unemployment Insurance (UI) fund. However, the balance was quickly exhausted during the pandemic when requests for unemployment benefits spiked in 2020.

When a state's UI trust fund balance is depleted, the state may obtain federal assistance by requesting an advance from the Federal Unemployment Account, which is authorized by Title XII of the Social Security Act of 1935. After receiving this assistance, states must reestablish a positive cash fund balance in their UI fund within two years of receiving an advance. Failure to do so can result in Federal Unemployment Tax Act (FUTA) tax credit reductions, which would adversely affect employers throughout the state.

During the 2022 legislative session, the General Assembly passed Senate Bill 22-234, which resolved this issue. The bill created a fund at the Colorado Department of Labor and Employment and transferred $600 million into the newly created fund to be used to repay any future FUTA advances, and other measures to secure the future liquidity of the UI fund.

Investments
The Investment Division actively manages distinct investment portfolios (discussed below) with the primary objectives of, in order of importance, legality, safety, liquidity and yield. For each of the portfolios it manages, the Department, in addition to constitutional and statutory guidance, has developed a written investment policy explicitly stating the appropriate goals, investment standards, level of liquidity, degree of credit risk, duration or average life, and other performance measures.

A critical aspect of the implementation of these policies and the daily functioning of the Investment Division is the use of an online data and analytical system (Bloomberg). The Bloomberg system assists the investment managers in identifying and analyzing specific investments for either purchase or sales. Absent access to the Bloomberg system and subscriptions to independent, third-party credit research services and an electronic trading system, the Investment Division's capacity to meet its constitutional, statutory and policy objectives would be virtually impossible.

The Treasurer's Pooled Funds (TPOOL) provide state agencies with the liquidity of a money market fund while normally generating a higher yield than a typical money market fund. Most state funds, including the General Fund, are held in the TPOOL.

Ongoing statutory changes oblige many organizations to remit their tax remittances to the Department of Revenue electronically. With electronic remittance, funds are processed more quickly, providing investment officers with more accurate and timely cash balance information. This improved information allows the investment division to better invest the money on deposit with the Treasury while still maintaining sufficient liquidity to meet the State's obligations

The Public School Permanent Fund (PSPF) is a constitutionally mandated permanent trust. The principal of the Fund is made up of money earned from the sale or rental of lands and mineral royalties held in the school land trust (public schools land income). Both the principal and interest on this fund are exempt from the requirements of section 20 article X of the state constitution. A unique feature of this fund is that the General Assembly must make the Fund whole for any realized losses the Fund incurs. To minimize the likelihood of such an event, the portfolio is managed to preserve principal, maximize income, and optimize total return relative to the investment policy benchmark.

Several changes were made to the distribution of public school lands income during the 2009 legislative session. Beginning in August 2009, 50% of the gross public school lands income is credited to the Public School Capital Construction Assistance Fund created in §22-43.7-104, C.R.S. (part of the Building Excellent Schools Today or BEST Act). In addition, for a portion of FY 2008-09 and through FY 2010-11, all public school lands income that was not transferred to the Public School Capital Assistance Fund or used for the administration of the State Land Board plus all of the fund's investment earnings, were transferred to the State Public School Fund, which provides moneys for the School Finance Act. Therefore, no deposits were being made into the PSPF.

In the 2011 legislative session, Senate Bill 11-230 continued this distribution through the end of FY 2012-13; however, in the 2012 legislative session, SB 12-145 capped the amount of moneys to be transferred to the State Public School Fund for FY 2011-12 only. As a result, $38.3 million was deposited into the PSPF. In the 2013 legislative session, SB 13-112 capped the amount of moneys to be transferred to the State Public School Fund for FY 2012-13. $20.8 million was deposited into the PSPF. Per SB 13-260, for FY 2013-14 and FY 2014-15, the State Public School Fund received the first $16 million of the Fund's investment earnings. Beginning in FY 2015-16, per SB 15-267, the first $21 million of the fund's investment earnings was to be transferred to the State Public School Fund. The balance of the public school lands income not transferred to the Public School Capital Construction Assistance Fund or used for the administration of the State Land Board was to be deposited into the PSPF.

House Bill 15-1367 amended the language in §39-28.8-305, C.R.S. directing the retail marijuana excise tax collected over $40 million to be transferred to the PSPF.[5] As of July 1, 2018, HB 18-1070 amended the amount of retail marijuana excise tax revenue credited to the Public School Capital Construction Assistance Fund from the first $40 million, with the remainder credited to the PSPF, to the greater of 90% of the revenue annually collected or the first $40 million of such revenue, with the remainder to the PSPF.[6] As of July 1, 2019, HB 19-1055 required all retail marijuana excise tax revenue to be credited to the Public School Capital Construction Assistance Fund, eliminating any credits to the PSPF.[7] During the 2020 legislative session, HB 20-1418 changed the distribution of State Land Board rents and royalties revenue for FY 2020-21 so that revenue that would normally be credited to the Permanent Fund would be credited instead to the State Public School Fund. The bill also redirected a portion of the marijuana retail sales tax to the State Public School Fund. Therefore, in FY 2020-21, the PSPF received only $7.9 million of revenue, with the majority being from realized capital gains. Then, again in FY 2021-22, $97.6 million of revenue was deposited into the PSPF; and, in FY 2022-23, $118.2 million of revenue was deposited.

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[5] The first such transfer occurred in FY 2015-16 in the amount of $2.45 million; in FY 2016-17, $31.56 million was deposited; and, in FY 2017-18, $27.75 million was deposited.
[6] In FY 2018-19, $5.85 million of retail marijuana excise tax revenue was deposited into the PSPF.
[7] In FY 2015-16, total revenue of $68.5 million was deposited into the Permanent Fund; in FY 2016-17, $85.9 million was deposited, including $4.2 million in realized capital gains; in FY 2017-18, $83.4 million was deposited; in FY 2018-19, $72.0 million was deposited; and in FY 2019-20, $70.6 million was deposited, including $8.9 million in realized capital gains.

In the 2016 legislative session, SB 16-035 created the Public School Fund Investment Board (PSFIB). The Board is made up of the Treasurer (Chair of the Board), three appointees by the Treasurer, and a final seat held by one of the Commissioners of the Colorado State Land Board. The bill was designed to enable the Public School Permanent Fund to be invested in assets in addition to fixed income. Allowed investments include equity mutual funds, equity-indexed funds, and other equity investments that do not represent an investment in an individual corporation. Pursuant to the Board's investment policy, Treasury manages a portion of the Fund's investments, the Market Duration Bond Portfolio. The bill also changed the distribution of income beginning in FY 2017-18. For FY 2017-18 and FY 2018-19, the first $21 million after the PSFIB's expenses are paid continues to be transferred to the State Public School Fund; however, any amount in excess of $21 million, capped at $10 million, was to be paid to the Public School Capital Construction Assistance Fund; and any amount in excess of $31 million was to be paid to the Public School Permanent Fund. The actual amount of the FY 2017-18 transfer to the Public School Capital Construction Assistance Fund was $4.3 million; and the FY 2018-19 transfer was $8.2 million. For FY 2019-20, and each fiscal year thereafter, any amount in excess of $21 million, capped at $20 million, is to be paid to the Public School Capital Construction Assistance Fund; and any amount in excess of $41 million is to be paid to the Public School Permanent Fund. The actual amount of the FY 2019-20 transfer to the Public School Capital Construction Assistance Fund was $9.4 million; in FY 2020-21, it was $9.3 million; in FY 2021-22, it was $10.3 million; and, in FY 2022-23, it was $17.8 million**.**

<u>The Unclaimed Property Tourism Promotion Trust Fund (UPTPTF)</u> was created by §38-13-801.5, C.R.S. The fund consists of all proceeds collected through the sale of securities in the custody of the State Treasurer as the administrator of Unclaimed Property. The principal of this fund is only expended to pay claims. Interest earned from the deposit and investment of the moneys is credited to the Colorado State Fair Authority Cash Fund, the Agriculture Management Fund, and the Colorado Travel and Tourism Promotion Fund.[8] $5.0 million of the UPTPTF is currently designated as a component of the State's Emergency Reserve. See additional information regarding this fund in the Unclaimed Property section, which begins below.

[8] Twenty-five percent of the interest earned goes to the State Fair Authority, sixty-five percent to the Agriculture Management fund, and the remaining ten percent is dedicated to the Travel and Tourism Promotion Fund. See §38-13-801.5(3)(I-III), C.R.S.

CLIMBER Small Business Recovery Loan Program

The Colorado Loans for Increasing Main Street Business Economic Recovery Act, or CLIMBER Loan Program, leveraging up to $250 million for loans for small businesses over the next four years is designed to preserve at-risk jobs across the State. CLIMBER was created by HB 20-1413, codified at §24-36-201, C.R.S., et seq. While federal resources have provided a much-needed lifeline for many Colorado businesses, the State anticipated that additional support continues to be necessary for small businesses that have less capacity and fewer borrowing opportunities to weather the long-term effects of the economic downturn than medium to large sized businesses.

The CLIMBER fund provides low interest working capital loans – ranging in size from $10,000 to $500,000 – to Colorado small businesses with up to 99 employees that had a record of accomplishment of success prior to the pandemic. A five-member oversight board chaired by the State Treasurer manages the CLIMBER loan fund. The Director of the Minority Business Office in OEDIT is a Board member specified in statute. The three other members of the Board are appointees of the Governor, the Senate President and the Speaker of the House, respectively. The CLIMBER oversight board has created policies and procedures to enable the program to operate within its legislative mandate continuing to promote economic recovery for small businesses in the State. The goal is to save Colorado jobs and provide low interest and equitable access to capital across all 64 counties, recognizing that certain businesses and communities historically underserved were disproportionately impacted by the COVID-19 pandemic.

State funding portion came from the sale of insurance premium tax credits. The first tranche of fundraising included five contributory institutions providing $22.5 million, reflecting a “4 to 1” contribution. With the inclusion of the State’s first loss capital of $5.625 million, a total of $28.125 million was made available for the loan participation and direct lending capital tools. A Credit Enhancement mechanism provides 15-20% credit enhancement in the form of a loss reserve or cash collateral for CLIMBER loans that lenders across the state offer. The state provided $3 million for the Credit Enhancement tool which leverages an additional potential of $12 million from the various lenders borrowers can use, and brings a total first tranche of loanable funds to $43.125 million. Presently, 13 lenders participate in the program; with $7.635 million of Direct Lender Capital (DLC) loans deployed to these institutions with an additional $3.812 million lent directly to businesses.

Colorado SecureSavings Program

In 2019, Senate Bill 19-173 created the Colorado SecureSavings Board in the Department of Treasury to study the costs to the state of insufficient retirement savings and to consider three approaches to increasing retirement savings in Colorado. The Board found that over 40 percent of Coloradans do not have access to retirement savings at work, and that a state-facilitated automatic enrollment individual retirement account program would be the best option for Colorado. The Board recommended the establishment of such a program, coupled with the greater use of financial education tools. These recommendations were implemented in 2020 with the passage of SB 20-200 which renamed the board the Colorado SecureSavings Program Board and directed the Board to create and implement the Colorado SecureSavings Program.

The Colorado SecureSavings Program (CSSP), codified at §24-54.3-101, C.R.S., et seq., is designed to close the retirement savings gap for private sector workers, and ensure all Colorado residents have access to the wealth building tools necessary for strong financial health.

The law requires the Department to design, implement, and administer the SecureSavings Program for enrolled employers and their employees, as well as ensure businesses electing to use private plans are in compliance with state statute. In all, the two compliance options (enrollment in SecureSavings or purchasing a qualified retirement plan) will increase retirement savings access for an estimated one million Colorado workers.

Implementation and design included hiring program staff, procuring a consulting team, as well as investment managers and a program administrator, developing an investment policy statement, and marketing the program to employers across the state. Ongoing administration includes continuous marketing and outreach functions for Department staff, data management and analysis, strategy development and implementation, and directing annual enrollment and enforcement periods.

In FY 2022-23, the Program's professional staff oversaw the achievement of several critical milestones:

- The full Program began implementation in January 2023, and has continued throughout the course of the year.
- The first interstate partnership for a state facilitated retirement program, the Partnership for a Dignified Retirement, was approved by the Colorado SecureSavings Program Board with the State of Maine, and launched the first partner program in October.

To date in FY 2023-24, the following milestones have been reached:

- All enrollment notice waves have been completed by employers receiving at least three notices (contact information provided by the Colorado Department of Labor and Employment).
- As of September 29, 2023, the Program has enrolled over 100,000 savers, has nearly 13,000 participating employers, and has confirmed existing plans for 21,000 additional employers.
- As of September 29, 2023, assets under management in saver accounts totaled nearly $17 million.
- One additional state (Delaware) has initiated negotiations to join the Partnership for a Dignified Retirement.
- Program staff are currently reviewing compliance data to ensure enforcement begins, as scheduled, and all impacted employers have received direct communications.

In the remainder of FY 2023-24, and in FY 2024-25, CSSP expects to accomplish the following goals:

- Officially begin enforcement for non-compliant employers in partnership with the Colorado Department of Labor and Employment.
- Begin enrollment for newly eligible businesses as detailed in §24-54.3-101, C.R.S., et seq.
- Finalize partnership negotiations with the State of Delaware, and continue conversations with Minnesota, Nevada, and Vermont.
- Review and amend CSSP's marketing and outreach strategy using enrollment data to continue to better identify participation gaps.
- Review and amend CSSP's Investment Policy Statement (if required) with the support of the Colorado SecureSavings Program Board.
- Provide robust oversight over the Partnership for a Dignified Retirement Advisory Committee, ensuring all partners maintain high quality governance controls.
- Refine internal processes, policies, and web platform features to ensure CSSP is accessible to all employers and savers.
- Continue performing stakeholder outreach and education to ensure all impacted businesses and individuals understand the Program requirements, and make informed decisions regarding their benefit plans and retirement options.

In addition to the program implementation work, program staff continue to conduct outreach to key stakeholders, employer groups, and community organizations highlighting progress and communicating timelines and program opportunities and expectations. Further, program staff will utilize existing enrollment data to revise the Program's outreach and marketing strategy to better target unenrolled populations and more efficiently utilize public resources.

Program staff has worked strategically to accelerate the timeline for the program to reach self-sufficiency. A pilot version of the program launched in October 2022, and formal enrollment began in January 2023. Utilizing a compressed timeline as compared to other states with similar auto IRA programs, the SecureSavings Program has been able to reduce the time needed for implementation by 60% without sacrificing the quality of customer service for employers. This compressed timeline has the benefit of reducing complexity for impacted employers, scaling the Program faster, and reducing costs to the State. Consequently, State funding needs for CSSP are anticipated to decline sooner as a result. The timeline to self-sufficiency projected in 2020 was based on the assumption of enrollment taking four years from the start of the first enrollment wave. Early data confirm that a shorter implementation timeline has proven more beneficial in communicating statutory requirements to impacted employers, and increasing the number of savers and assets under management relative to other states with similar programs.

As part of the effort to shorten the timeline to self-sufficiency, CSSP has officially entered into a partnership with the State of Maine. This partnership (the Partnership for a Dignified Retirement) is expected to support the 200,000 private employees without access to a retirement plan in Maine. CSSP also anticipates partnering with additional states which will increase assets under management for the program, reducing fees for participants and, as a result, help shorten the timeline needed for CSSP to reach self-sufficiency. To date, CSSP has begun negotiations with the State of Delaware, and has advanced conversations with Minnesota, Nevada, and Vermont. Combined, the total population supported by this partnership could reach an additional 1.5 million workers without access to a retirement plan in addition to the savers in Colorado and Maine. This partnership is the first of its kind nationally for auto enroll IRA programs and has established Colorado as a leader in closing the retirement savings gap. Pursuit of this partnership opportunity will materially impact the design or structure of the program, and a formal governance arrangement was approved by the CSSP Board during its September 2022 meeting.

Unclaimed Property

The Unclaimed Property program was established in 1987, codified at §38-13-801, C.R.S., et seq., to locate owners of dormant or abandoned property and return their property to them. The law was expanded subsequently to include all types of companies and business entities, with limited exceptions. The law also covers public institutions, including courts, municipalities, most governmental subdivisions/agencies, public corporations or authorities, non-profit entities, hospitals, utilities, estates, trusts, or any other legal or commercial entity.

The General Assembly enacted the Revised Uniform Unclaimed Property Act (RUUPA) in 2019; and it became effective on July 1, 2020. The new Act modernizes the way the division and holders communicate information about lost property to owners. It expands the types of properties to be reported, while clarifying new exempt properties. The Act sets clear boundaries for third party auditors, providing holders an appeal process and requiring more transparency.

Since the program's inception the Treasury has returned more than $650 million to owners and heirs. Colorado businesses identify millions of dollars of unclaimed property during the reporting process. In many cases these businesses contact the property owners and return the money directly to them rather than transferring it to the Treasury. The remainder, per statute, must be transferred to the Division.

In FY 2022-23, the Unclaimed Property Division returned approximately $54.31 million to 58,100 claimants. The Division continues to leverage the Unclaimed Property software program to electronically approve certain payments.

The Unclaimed Property Division includes a small internal audit team that is charged with ensuring holder compliance with the reporting requirement. This team provides webinars to educate citizens and businesses about the Unclaimed Property Act and the related compliance responsibilities. In FY 2022-23, the division held seven webinars/outreach programs. The webinars reached 390 people, from industries such as auto dealers, CPA firms, banks and credit unions, retail businesses, restaurants, medical/dental clinics, school systems, hospitals, and municipal governments. In addition to field audits where the auditors conduct onsite audits, the audit team conducts "Desk Audits". The Desk Audit Program is designed to improve unclaimed property compliance by contacting non-compliant companies and providing them with information about the Colorado Unclaimed Property Program. Businesses are contacted by email, telephone, letter, and questionnaire and are encouraged to review their records for potential unclaimed property. The auditors then assist the business with reporting their unclaimed property.

The Division did not initiate any field audits during FY 2022-23. The Desk Audit Program focused on mortgage, distribution, logistics, medical, and the construction industry. Desk audit collections in FY 2022-23 totaled approximately $475,000. In addition to the audits performed, the audit team processed business claims because many businesses have complex ownership. This can include mergers and acquisitions and require background research. The Division also uses seven outside auditing companies to conduct examinations of large national businesses. In FY 2022-23, the Division authorized these companies to begin 59 general ledger audits.

An enhanced website brings in more inquiries and allows the Division to manage more claims, lessening the handling of paper requests. The site allows claimants to easily submit their claims online, uploading documentation easily from their smartphones. If additional documentation is requested by the Division, the workflow allows a claimant to contacted by email. This reduces mailing and postage costs and speeds up the processing time to pay a claimant. If additional paperwork is needed, the claimant can easily add documentation via the same website upload process. The website also provides a status on the claim so that claimants can review when their claim has been paid.

The claims team continues to do proactive outreach to potential owners. Notifications can be in the form of email, letters or postcards. During FY 2022-23 165,719 notifications were sent to potential owners via letter, postcard or email. This was over double the number done in the previous fiscal year. These mailings as well as numerous media events have increased the awareness of the program. National Unclaimed Property Day was February 1st.

The 2023 Denver Home & Garden show in March was the Division's first in person event since COVID. It was a 9-day event where staff assisted citizens in starting claims through the use of secure iPads. There was a positive response from individuals visiting the booth about the program, many noted that they heard of someone receiving funds from the program.

Denver's Juneteenth Festival was the second in person event. It was two days (June 17-18, 2023) and allowed the division to educate many on potential unclaimed funds. The division looks forward to doing more in person outreach in FY 2023-24.

The Division currently maintains about 12.7 million properties, including $1.47 billion in assets.

The Colorado Unclaimed Property website allows holders to report holdings electronically. In the past, only the larger holders reporting could utilize the website, but now manual reporting for smaller reports typically consisting of 20 items or fewer allows smaller reports to be filed efficiently. In order to streamline processing and add security, the Division no longer allows reports to be submitted via CD, paper reports, diskettes or emailed submissions. Only checks should be received via mail, and the Division continues to encourage ACH transfers as the safest and most efficient form of payment, which results in a much faster processing time while eliminating checks being delayed or lost in the mail. 3,373 checks were scanned and deposited for reporting year 2022, totaling $55.4 million. 3,115 wire transactions were received totaling $133.2 million.

Until June 30, 2020, statute required the Treasurer to sell unclaimed securities held by a third party. In FY 2004-05, Treasury began a liquidation process of unclaimed securities as required. That year, more than $51 million from the first two sales of securities was deposited into the newly created Unclaimed Property Tourism Promotion Trust Fund. Additional funds totaling approximately $8 million were deposited in September 2005 and approximately another $5 million was deposited in September 2006. Sales were suspended due to turbulent fiscal conditions and resumed in FY 2009-10 when the sale of securities resulted in collections of nearly $39 million. In FY 2011-12, the sale was completed in September 2011; and the sales from one year of security holdings totaled $6.8 million. In September 2012, the sales of securities totaled $9.0 million; in September 2013, the sales totaled $13.9 million; and in October 2014, the sales totaled $17.0 million.

In October 2015, the sales totaled $12.2 million; in October 2016, the sales totaled $12.6 million. In both October 2017 and October 2018, security sales totaled $17.0 million. In October 2018, approximately $15 million in securities were sold with October 2019 security sales totaling $14.9 million. Beginning on July 1, 2020, RUUPA (§38-13-701, C.R.S.) requires securities be sold after being held for three years by the Division. This is a significant change as the previous act required securities to be sold after one year. Security sales resumed in October of 2022 resulting in a total of $11.1 million in securities sold.

The Department's Investment Division manages the Unclaimed Property Tourism Promotion Trust Fund as a separate account. Section 38-13-801.5, C.R.S. continues the previous act's creation and division of funds for this trust fund. The allocation of the interest earned is as follows: 1) 25% to the Colorado State Fair Authority Cash Fund; 2) 65% to the Agriculture Management Fund; and 3) 10% to the Colorado Travel and Tourism Promotion Fund.

RUUPA provisions (§38-13-902.1 – 902.3, C.R.S.) direct the Treasury to review all approved claims that exceed $600 for possible interception to satisfy obligations due to the Department of Human Services (DHS), the Department of the Judiciary (JUD), and the Department of Revenue (DOR). The total dollar amount of "Intercepted" claims by department in FY 2022-23 was as follows: JUD $0; DHS $38,175; and DOR $435,172.

Throughout the year, the Unclaimed Property Division also receives and processes unclaimed safe deposit boxes. In FY 2022-23, the total number of safe deposit boxes reported was 466. Other FY 2022-23 safe deposit box statistics: 6,196 items inventoried and 3,365 items returned via claims. The Division maintains an active effort to contact and request outstanding safe deposit boxes' contents from financial institutions.

The Division continues to work from home, which began on March 17, 2020. Mail is gathered and scanned on a weekly basis and claims are remotely processed. The claims team communicates with claimants via email or phone. Appointments are scheduled for claimants who wish to speak to someone in person.

The compliance team processes holder reports and reconciles deposits. They are in the office to ensure checks are deposited and to scan holder paperwork as needed. The team also receives and inventories safe deposit items in the office. The audit team works audits remotely, as well.

Special Purpose

The special purpose programs include the Property Tax Deferral Program for Seniors and Active Military Personnel, the Senior Citizen and Disabled Veteran Property Tax Exemption Program, the Property Tax Reimbursement for Property Destroyed by Nature, and Highway Users Tax Funds.

Property Tax Deferral Program for Seniors, Active Military Personnel, and Tax Growth Cap Participants

This program provides loans to pay the property taxes for qualified Colorado citizens who make applications. During the 2002 legislative session, sections 39-3.5-105.5 and 105.7, C.R.S. were revised, changing the funding of this program from a General Fund appropriation to an investment (as a simple interest loan to the property owner).   Liens are placed on the property, and interest is calculated annually. The interest rate floats with the 10-year Treasury note, changing each year in February as statute requires. The current rate is set at 4.125%. There are no limits to the number of applications the Department may receive; and there are limited eligibility requirements. As of June 30, 2023, Treasury had more than 1,000 participants in the program. The Treasury uses an Access database to manage this program. Additionally, the Treasury uses an annual self-verification process to monitor existing participants thus ensuring their continued eligibility for the program.

Senate Bill 21-293 expanded the program to all Coloradans who meet certain qualifications. Senate Bill 22-220 detailed the expansion of the program. The Treasury issued a request for proposal in May 2022 and has contracted with a third party administrator, CoreLogic, who worked with the Treasury to create and manage the program, which includes centralizing applicant data and building an online application and portal. The Treasury hired one full-time employee to manage the program oversight. The application will be live January 2023.

Senior Citizen and Disabled Veteran Property Tax Exemption

Created by the passage of Referendum A, which voters approved by the voters in November of 2000 (codified at §39-3-201, C.R.S., et seq.), this program originally exempted one-half of the first $200,000 of a home's value from property taxation for citizens over the age of 65 who have lived in their current homes for at least 10 years. It also applies to surviving spouses of qualified taxpayers. The first payment was made to counties in April 2003. The Treasury, in conjunction with the Department of Local Affairs has developed and maintains an extensive database for the program to ensure that distributions are correctly calculated and disbursed.[9]

Referendum E, approved during the 2006 general election, allows the senior homestead exemption to be extended to veterans who have a service-connected disability that has been rated as 100% permanent, as well as to their surviving spouses. See §39-3-202, C.R.S.

[9] Due to the State budget shortfall, §39-3-203, C.R.S. was revised to decrease the amount of assessed residential property that may be exempted from taxes to zero for tax years after December 31, 2002 but before January 1, 2006. Consequently, no payments were made for FY 2003-04 - FY 2005-06. The exemption was reinstated to one-half of the first $200,000 beginning with FY 2006-07. Treasury made $79.8 million in payments to counties in FY 2007-08; and $85.6 million in FY 2008-09. However, again due to a State budget shortfall, §39-3-203 was revised for the 2009 property tax year, reducing the amount of assessed residential property that could be exempted from taxes by a qualifying senior from $200,000 to

$0, leaving the exemption for qualified disabled veterans, intact. SB 10-190 continued the 2009 reduction through the 2011 property tax year. The assessed residential property that may be exempted from taxes by a qualifying senior returned to one-half of the first $200,000 beginning in the 2012 property tax year. Treasury made $127.1 million in payments in FY 2015-16; $136.4 million in FY 2016-17; $132.2 million in FY 2017-18; $145.9 million in FY 2018-19; $151.2 million in FY 2019-20; $157.9 million in FY 2020-21; $162.1 million in FY 2021-22; and $163.7 million in FY 2022-23.

Property Tax Reimbursement for Property Destroyed by Nature

House Bill 14-1001 created this program by adding §39-1-123, C.R.S. The statute establishes a state reimbursement for certain property taxes owed or paid for real property and business personal property that has been destroyed in a natural disaster or by another cause beyond the control of the property owner. The program applies to tax years starting on or after January 1, 2013; and the appropriation through FY 2019-20 was $2,221,828; however, in FY 2020-21, the appropriation was reduced to $725,000. In FY 2021-22, the initial appropriation was $1 million; however, due to the nature and severity of numerous wildfires, a $3.7 million supplemental request was granted in early 2022, bringing the full appropriated amount to $4.7 million. Treasury anticipates that the demand on this program will continue. The current FY 2023-24 appropriation is $1 million.

Highway User Tax Funds (HUTF)

The annual calculation, allocation and distribution of HUTF to Colorado counties and municipalities, and to the Department of Transportation are Treasury responsibilities. Estimates for future HUTF disbursements are based on projections from the Governor's Office of State Planning and Budgeting.

On March 2, 2009, the Funding Advancements for Surface Transportation and Economic Recovery (FASTER) bill was signed into law. See §43-4-801, C.R.S., et seq. FASTER generates additional revenues for statewide transportation improvements. Revenues generated from the Road Safety Surcharge, Oversize/Overweight Surcharge, Rental Car Surcharges, and late vehicle registration fees are credited to the HUTF and distributed per statute to the Department of Transportation, counties, and municipalities.

Other Programs

Charter School Intercept and Moral Obligation Program

Section 22-30.5-406, C.R.S. allows a charter school entitled to receive moneys from the State to request that the State Treasurer make direct payments of principal and interest on capital construction bonds on its behalf. This program enhances the charter school's ability to obtain favorable financing terms on its bonds. The Treasury withholds the moneys needed to make these payments from the monthly equalization payments to the Charter Authorizer (the school district in which the charter school is located or the State Charter School Institute). The Treasurer will only perform an intercept for a charter school that receives sufficient state equalization money to cover the entire annual amount of the principal and interest payments. As of June 30, 2023, Treasury had 102 participants in the intercept program.

In addition to this intercept program the Treasury oversees a subprogram: the "Moral Obligation Program." This program enhances the credit of a "qualified charter school." A qualified charter school is one that has obtained an investment grade credit assessment on a "stand alone" basis. The enhancement enables these qualified schools to obtain more favorable financing terms on their capital construction bonds. The program is funded from a separate source of moneys from which the Treasury would make bond payments in the case of a default by a charter school. Section 22-30.5-407, C.R.S. created the State Charter School Interest Savings Account within the State Charter School Debt Reserve Fund. Each qualified charter school allowed into this program annually pays ten basis points of the principal amount of bonds outstanding into this account. At June 30, 2023, the account had a balance of $8.4 million. In the event that a default occurs that exhausts the balance in the fund, as well as the $7.5 million appropriated in FY 2002-03 and FY 2014-15 from the State Education Fund, the statute directs the Governor to notify the

General Assembly so that it may consider whether to appropriate funds to pay off the bonds. This last element is the “moral obligation” aspect of the program. Failure by the State to make such an appropriation could have a substantial negative effect on the State’s credit and almost certainly interfere with its ability to issue certificates of participation. The statutory cap of the outstanding par value of the bonds issued by charter schools under this program is currently $750 million.[10]

K-12 School District Intercept Program

The program created by §22-41-110, C.R.S. requires the Treasurer to make timely payments of principal and interest on school district bonds if the district is unable to do so. In such an instance, the State recovers the amount by withholding the State’s share of the district’s total program funding and/or from school district property tax and specific ownership tax revenues. This program has resulted in school districts across the State receiving greatly enhanced bond ratings. The program, created in 1991, automatically covers all school districts except those that have expressly opted out of the program. Since the program’s inception, no school district bonds have been opted out; and Treasury has never needed to make a bond payment on behalf of a school district. As of June 30, 2023 the outstanding par value of the bonds issued under the school district intercept program was approximately $11.2 billion.

[10] The cap was legislatively increased from $200 million to $400 million in 2006, and to $500 million in 2014. The cap was raised to $750 million in 2021 as a result of SB 21-157. As of December 31, 2022, the outstanding par value of the bonds issued under the moral obligation program was $593.7 million.

Higher Education Intercept Program
Based on the success of the State's school district intercept program (explained above), in 2008 the legislature created a parallel program for Colorado state-supported institutions of higher education revenue bonds, enacted as §23-5-139, C.R.S. In this program, the Treasurer is required to make timely payments of principal and interest on revenue bonds issued by qualified state-supported institutions of higher education if the institution is unable to do so. If such a payment is made, it is recovered by withholding equivalent amounts from the institution's payments of the State's fee-for-service contract with the institution, from any other State support for the institution, and from any unpledged tuition monies collected by the institution. Senate Bill 22-121 increased the amount of tuition money that can be considered as pledged revenues from 10% to 100%. See §23-5-139 (1)(b)(III)(B), C.R.S. With this security in place, the State's public institutions of higher education receive greatly enhanced ratings on their bond issues. Unlike the school district program, institution bonds must meet certain qualifications to be covered by the program as specified in §23-5-139 (1)(b), C.R.S. As of June 30, 2023, there were nine institutions of higher education participating and the outstanding par value of the bonds issued under the higher education intercept program was approximately $1.4 billion.

DEPARTMENT OF THE TREASURY PERFORMANCE GOALS

Accounting Division
Performance Goal: Mitigate risk of losing institutional knowledge by creating a knowledge base of procedure documents and establishing a succession planning framework by the end of 2024.

Performance Indicators:

- [ ] Identify key positions and processes.
- [ ] Update, revise, or create technical procedures.
- [ ] Create succession planning action plans.
- [ ] Align training and development opportunities to operational goals.
- [ ] Drive efficiencies through continuous process improvement.

CLIMBER Loan Program
Performance Goal: Keep CLIMBER operational beyond 2024 as a regular state program, in partnership with OEDIT.

Performance Indicators:

- [ ] Identify continued sources of funding.
- [ ] Identify continued banking support.
- [ ] Modify legislation or adopt a new policy to continue strengthening the Colorado small business environment.

Debt Management
Performance Goal: Include more smart investing disclosure and reporting as it relates to public financing as part of department policy and procedures.

Performance Indicators:

- ☐ Research smart investing frameworks.
- ☐ Modify official statements.
- ☐ Calculate what is impacted by each financing.

Investment Division
Performance Goal: Develop and propose an equitable compensation plan to continue to attract and retain qualified investment professionals to work for the Colorado Department of the Treasury.

Performance Indicators:

- ☐ Identify and survey 10-15 top state treasuries managing more than $10 billion in fixed income assets.
- ☐ Develop data and complete the survey by working with National Association of State Treasurers (NAST), Sovereign Wealth Funds (SWF), and Colorado State Treasury Human Resources (CST HR).
- ☐ Summarize pay plans for CIO, research analysts, traders, operations analysts.
- ☐ Propose recommendations to the CST presenting competitive, equitable compensation plans for investment professionals based on peer review.

Property Tax Deferral Programs
Performance Goal: Based upon the successes and lessons learned in the initial rollout, continue to develop and create a more efficient, user-friendly, and well-run operating program.

Performance Indicators:

- ☐ Develop new outreach and marketing strategies to those who are in need of property tax deferral given recent property tax increases.
- ☐ Update and streamline the current online website portal user application process, as well as the manual paper application process for those without computer access.
- ☐ Implement a cost effective electronic recording system for the PTD Program, to maximize efficiency at the State level and minimize recording and re-recording problems and timelines at the county level.
- ☐ Work on statutory amendments to update how recording fees are currently interpreted, handled, and charged between the Treasury and Colorado county clerks and recorders.
- ☐ Consider additional internal staff support to help with the internal administrative and accounting support functions of the DPT Program with anticipated increases in the volume of applicants for the coming years.

SecureSavings Program

Performance Goal: Build the Colorado SecureSavings Program into one of the most successful retirement systems in the United States.

Performance Indicators:

- [ ] Regular tracking of the number of enrollees in funded accounts.
- [ ] Outreach for additional state partnerships.
- [ ] Marketing and Outreach Strategy implementation.
- [ ] Direct engagement with 1099 and self-employed populations.
- [ ] Enforcement with Colorado Department of Labor and Employment (CDLE).

Unclaimed Property

Performance Goal: To return 70,000 claimants' funds representing $90 million over the next two fiscal years.

Performance Indicators:

- [ ] Review all claims within the 90-day statute requirement, processing a monthly average of 85% (or greater) of calls that come into the division's claim hotline.
- [ ] Deposit unclaimed property holder checks within 2 weeks of receipt
- [ ] Reconcile at least 50% of new holder reports within 3 months of receipt.
- [ ] Send out documentation for 40 desk audits (not all will result in onsite audits). Complete the review of reporting for these holders to confirm compliance of unclaimed property.
- [ ] Authorize 40 third party audits.
- [ ] Manage and collaborate with contractors for successful reporting, maintenance and return of Unclaimed Property.