

JOINT BUDGET COMMITTEE



STAFF BUDGET BALANCING FY 2020-21

DEPARTMENT OF THE TREASURY

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ALFEDO KEMM, JBC STAFF
APRIL 10, 2020

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

Summary of Staff Budget Balancing Recommendations for Long Bill	3
➔ Reverse R3	4
➔ Reverse R4	4
➔ Reduce R1	5
➔ Reduce R2	6
Summary of Recommendations Requiring Statutory Change.....	6
➔ Suspend Homestead Exemption	7
➔ Suspend PERA Direct Distribution.....	8
➔ Transfer from the Unclaimed Property Trust Fund to GF.....	9
Summary of Other Recommendations and Options if Deeper Cuts are Required	9

HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **third section** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

DEPARTMENT OF THE TREASURY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
SB 19-207 (Long Bill)	\$860,894,883	\$338,475,495	\$448,514,039	\$73,905,349	\$0	32.9
Other legislation	800,000	800,000	0	0	0	0.0
HB 20-1999 (Supplemental)	43,920	0	43,920	0	0	0.0
TOTAL	\$861,738,803	\$339,275,495	\$448,557,959	\$73,905,349	\$0	32.9
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	\$861,738,803	\$339,275,495	\$448,557,959	\$73,905,349	\$0	32.9
R1 Unclaimed property technology upgrades	57,200	0	57,200	0	0	0.0
R2 Unclaimed property increased workload costs	92,000	0	92,000	0	0	0.0
R3 Department personnel costs	340,437	193,766	146,671	0	0	2.5
R4 Administrative office upgrades	99,725	99,725	0	0	0	0.0
JBC staff-initiated - Prop Tax Reimburse for Prop Destroyed by Natural Cause	(2,196,828)	(2,196,828)	0	0	0	0.0
Revenue forecast and pass-through adjustments	18,524,321	25,209,249	(4,263,417)	(2,421,511)	0	0.0
Centrally appropriated line items	344,655	126,729	217,926	0	0	0.0
Annualize prior year legislation and budget actions	(829,990)	(791,110)	(38,880)	0	0	0.0
SUBTOTAL - JBC ACTION AS OF 3/16/20	\$878,170,323	\$361,917,026	\$444,769,459	\$71,483,838	\$0	35.4
Reduce R1	(11,200)	0	(11,200)	0	0	0.0
Reduce R2	(84,500)	0	(84,500)	0	0	0.0
Reverse R3	(340,437)	(193,766)	(146,671)	0	0	(2.5)
Reverse R4	(99,725)	(99,725)	0	0	0	0.0
Suspend Homestead Exemption	(163,578,262)	(163,578,262)	0	0	0	0.0
Suspend PERA Direct Distribution	(225,000,000)	(170,949,406)	0	(54,050,594)	0	0.0
TOTAL	\$489,056,199	\$27,095,867	\$444,527,088	\$17,433,244	\$0	32.9
INCREASE/(DECREASE)	(\$372,682,604)	(\$312,179,628)	(\$4,030,871)	(\$56,472,105)	\$0	0.0
Percentage Change	(43.2%)	(92.0%)	(0.9%)	(76.4%)	0.0%	0.0%

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in statewide policy packets.

ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 Appropriation						
SB 19-207 (Long Bill)	\$3,108,109	\$1,435,248	\$1,672,861	\$0	\$0	17.4
Other legislation	800,000	800,000	0	0	0	0.0
TOTAL	\$3,908,109	\$2,235,248	\$1,672,861	\$0	\$0	17.4
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	\$3,908,109	\$2,235,248	\$1,672,861	\$0	\$0	17.4
R3 Department personnel costs	214,680	193,766	20,914	0	0	1.0
R4 Administrative office upgrades	99,725	99,725	0	0	0	0.0

ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Centrally appropriated line items	342,922	126,729	216,193	0	0	0.0
Annualize prior year legislation and budget actions	(816,978)	(791,110)	(25,868)	0	0	0.0
SUBTOTAL - JBC ACTION AS OF 3/16/20	\$3,748,458	\$1,864,358	\$1,884,100	\$0	\$0	18.4
Reverse R3	(214,680)	(193,766)	(20,914)	0	0	(1.0)
Reverse R4	(99,725)	(99,725)	0	0	0	0.0
TOTAL	\$3,434,053	\$1,570,867	\$1,863,186	\$0	\$0	17.4
INCREASE/(DECREASE)	(\$474,056)	(\$664,381)	\$190,325	\$0	\$0	0.0
Percentage Change	(12.1%)	(29.7%)	11.4%	0.0%	0.0%	0.0%

→ REVERSE R3

JBC ACTION AS OF 3/16/20: The Committee approved the Department's request for \$340,437 total funds, including \$193,766 General Fund and \$146,671 cash funds, and 2.5 FTE for the Department's R3 Department Personnel Costs request item.

RECOMMENDATION: Staff recommends that the Committee deny the request at this time.

ANALYSIS:

The R3 request item totaled \$340,437 total funds, including \$193,766 General Fund and \$146,671 cash funds, and 2.5 FTE. The request includes three items:

- \$111,261 for an additional Junior Investment Officer for the Investment Division;
- \$95,334 for an additional 1.0 FTE for UPP claims and an additional 0.5 FTE for UPP tangible assets; and
- \$133,842 total funds, including \$82,505 General Fund and \$51,337 cash funds, for a 5.0 percent across-the-board increase for current staff.

→ REVERSE R4

JBC ACTION AS OF 3/16/20: The Committee approved the Department's request for \$99,725 General Fund for the Department's R4 Administrative Office Upgrades request item.

RECOMMENDATION: Staff recommends that the Committee deny the request at this time.

ANALYSIS:

The R4 request item totaled \$99,725 General Fund for FY 2020-21 and \$6,000 ongoing. The request includes:

- \$78,700 for State Capitol office deferred maintenance upgrades;
- \$7,300 for a large screen conference room monitor; and
- \$13,725 for a mobile Granicus unit for public meeting audio stream and archive, that includes \$6,000 (plus 7.0 percent annual increases) in annual licensing and subscription costs.

UNCLAIMED PROPERTY PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 Appropriation						
SB 19-207 (Long Bill)	\$2,315,826	\$0	\$2,315,826	\$0	\$0	15.5
HB 20-1999 (Supplemental)	43,920	0	43,920	0	0	0.0
TOTAL	\$2,359,746	\$0	\$2,359,746	\$0	\$0	15.5
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	\$2,359,746	\$0	\$2,359,746	\$0	\$0	15.5
R1 Unclaimed property technology upgrades	57,200	0	57,200	0	0	0.0
R2 Unclaimed property increased workload costs	92,000	0	92,000	0	0	0.0
R3 Department personnel costs	125,757	0	125,757	0	0	1.5
Centrally appropriated line items	1,733	0	1,733	0	0	0.0
Annualize prior year legislation and budget actions	(13,012)	0	(13,012)	0	0	0.0
SUBTOTAL - JBC ACTION AS OF 3/16/20	\$2,623,424	\$0	\$2,623,424	\$0	\$0	17.0
Reduce R1	(11,200)	0	(11,200)	0	0	0.0
Reduce R2	(84,500)	0	(84,500)	0	0	0.0
Reverse R3	(125,757)	0	(125,757)	0	0	(1.5)
TOTAL	\$2,401,967	\$0	\$2,401,967	\$0	\$0	15.5
INCREASE/(DECREASE)	\$42,221	\$0	\$42,221	\$0	\$0	0.0
Percentage Change	1.8%	0.0%	1.8%	0.0%	0.0%	0.0%
FY 2020-21 EXECUTIVE REQUEST	\$2,623,424	\$0	\$2,623,424	\$0	\$0	17.0
Request Above/(Below) Recommendation	\$221,457	\$0	\$221,457	\$0	\$0	1.5

→ REDUCE R1

JBC ACTION AS OF 3/16/20: The Committee approved the Department's request for \$57,200 cash funds from the Unclaimed Property Trust Fund.

RECOMMENDATION: Staff recommends decreasing the approved R1 amount by \$11,200 cash funds from the Unclaimed Property Trust Fund.

ANALYSIS:

The R1 request item totaled \$57,200 cash funds from the Unclaimed Property Trust Fund in FY 2020-21 and \$53,200 ongoing. R1 includes:

- \$46,000 for an upgrade for the KAPS unclaimed property administration system to provide for the purchase of Onbase, an imaging system that will create a seamless paperless IT system and process, and Lexis/Nexis services to process small value claims to free Unclaimed Property Program (UPP) staff to focus on larger and more complex claims;
- \$8,000 (\$4,000 ongoing) for a phone monitoring system to collect customer service data and allow for greater accuracy and customer service monitoring; and
- \$3,200 for related and ongoing staff training and education initiatives.

Staff recommends funding the IT system upgrade portion of the request. This item was funded in the FY 2019-20 supplemental. This item increases the Unclaimed Property Program's administrative efficiency.

Staff recommends not funding the phone monitoring system and staff training and education initiatives portion of R1, totaling \$11,200, at this time.

→ REDUCE R2

JBC ACTION AS OF 3/16/20: The Committee approved the Department's request for \$92,000 cash funds from the Unclaimed Property Trust Fund.

RECOMMENDATION: Staff recommends decreasing the approved R2 amount by \$84,500 cash funds from the Unclaimed Property Trust Fund.

ANALYSIS:

The R2 request item totaled \$92,000 cash funds from the Unclaimed Property Trust Fund in FY 2020-21 and \$80,500 ongoing for costs related to the implementation of S.B. 19-088 Revised Uniform Unclaimed Property Act (RUUPA) as well as recommendations included in the July 2019, Division of Unclaimed Property performance audit by the Office of the State Auditor.

One-time costs include:

- \$7,500 for a one-time auction to substantially reduce the existing tangible property inventory;
- \$1,000 for the purchase and installation of vault cameras; and
- \$3,000 for the replacement of deteriorated office furnishings.

Ongoing costs include:

- \$80,000 for additional printing and postage costs; and
- \$500 for in-state travel related to communications with claimants and property owners as required by RUUPA.

Staff recommends funding \$7,500 for the one-time auction to reduce the current tangible property inventory. This auction will increase the balance in the Unclaimed Property Trust Fund.

Staff recommends not funding the rest of the request, totaling \$84,500, at this time.

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

	SPECIAL PURPOSE					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 Appropriation						
SB 19-207 (Long Bill)	\$855,470,948	\$337,040,247	\$444,525,352	\$73,905,349	\$0	0.0
TOTAL	\$855,470,948	\$337,040,247	\$444,525,352	\$73,905,349	\$0	0.0

SPECIAL PURPOSE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	\$855,470,948	\$337,040,247	\$444,525,352	\$73,905,349	\$0	0.0
JBC staff-initiated - Prop Tax Reimburse for Prop Destroyed by Natural Cause	(2,196,828)	(2,196,828)	0	0	0	0.0
Revenue forecast and pass-through adjustments	18,524,321	25,209,249	(4,263,417)	(2,421,511)	0	0.0
SUBTOTAL - JBC ACTION AS OF 3/16/20	\$871,798,441	\$360,052,668	\$440,261,935	\$71,483,838	\$0	0.0
Suspend Homestead Exemption	(163,578,262)	(163,578,262)	0	0	0	0.0
Suspend PERA Direct Distribution	(225,000,000)	(170,949,406)	0	(54,050,594)	0	0.0
TOTAL	\$483,220,179	\$25,525,000	\$440,261,935	\$17,433,244	\$0	0.0
INCREASE/(DECREASE)	(\$372,250,769)	(\$311,515,247)	(\$4,263,417)	(\$56,472,105)	\$0	0.0
Percentage Change	(43.5%)	(92.4%)	(1.0%)	(76.4%)	0.0%	0.0%

REDUCE GENERAL FUND EXPENDITURE - STATUTORY CHANGE REQUIRED				
FY 2020-21 EXPENSE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Suspend Homestead Exemption				
Suspend Senior Homestead Exemption	(\$158,925,096)	\$0	(\$158,925,096)	0.0
Suspend Disabled Veteran Homestead Exemption	(4,653,166)	0	(4,653,166)	0.0
Total – Suspend Homestead Exemption	(\$162,246,350)	\$0	(\$162,246,350)	0.0
Suspend PERA Direct Distribution				
Suspend payment to PERA from Treasury	(\$170,949,406)	(\$54,050,594)	(\$225,000,000)	0.0
Suspend state agency common policy allocations	(31,786,780)	(22,263,814)	(54,050,594)	0.0
Total – Suspend PERA Direct Distribution	(\$202,736,186)	(\$76,314,408)	(\$279,050,594)	0.0

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED			
FY 2020-21 REVENUE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
Transfer from the Unclaimed Property Trust Fund to GF	\$9,200,000	\$0	\$9,200,000

➔ SUSPEND HOMESTEAD EXEMPTION

JBC ACTION AS OF 3/16/20: Consistent with the staff recommendation, the Committee approved reflecting an informational appropriation based on the March 2020 revenue forecast. The Committee has not yet elected to use a forecast, however staff has updated this figure to be consistent with the March 2020 Legislative Council Staff (LCS) forecast of \$163,578,262 General Fund.

RECOMMENDATION: Staff recommends that the Committee sponsor legislation to suspend the Homestead Exemption for tax years included in the FY 2020-21 state reimbursement.

The Committee may also wish to suspend the Homestead Exemption for up to three years, consistent with the action taken in S.B. 10-190, the last time the Homestead Exemption was suspended.

Further, the Committee may choose to suspend the Homestead Exemption for seniors but not for disabled veterans. This action would save \$158,925,096 General Fund based on the March 2020 LCS forecast.

ANALYSIS:

The March 2020 LCS forecast identifies a total of \$163,578,262 General Fund for the Homestead Exemption. The Homestead Exemption includes an exemption for seniors and an exemption for disabled veterans totaling \$158,925,096 and \$4,653,166, respectively.

The Homestead Exemption is created in Section 3.5 of Article 10 of the State Constitution. Subsection (2) specifies that the General Assembly may raise or lower by law the maximum amount of property value "of which fifty percent shall be exempt".

Section 39-3-203 (1), C.R.S., provides that "fifty percent of the first two hundred thousand dollars" of property value is eligible for the property tax exemption for qualifying seniors. Prior suspensions provide for "fifty percent of zero dollars" of property value. Subsection (1.5) addresses the matching provision for disabled veterans.

→ SUSPEND PERA DIRECT DISTRIBUTION

JBC ACTION AS OF 3/16/20: Consistent with the staff recommendation, the Committee approved reflecting an informational appropriation of \$225.0 million total funds, including \$170,949,406 General Fund and \$54,050,594 reappropriated funds from the Department of Personnel from state agency common policy collections.

RECOMMENDATION: Staff recommends that the Committee sponsor legislation to change the payment date of the PERA Direct Distribution from the first day of the fiscal year, July 1, to the last day of the fiscal year, June 30, and suspend the PERA Direct Distribution payment for FY 2020-21.

Alternatively, the Committee may choose to delay suspension of the PERA Direct Distribution, with the intention of suspending the payment only if additional General Fund balancing action is required at a later point in the fiscal year.

ANALYSIS:

Section 24-51-414, C.R.S., added in S.B. 18-200 PERA Unfunded Liability, provides a \$225.0 million payment to PERA for the unfunded liability from the General Fund or any other fund. For FY 2020-21, the payment from the Department of the Treasury is identified as \$225.0 million total funds, including \$170,949,406 General Fund and \$54,050,594 reappropriated funds from state agency common policy allocations collected by the Department of Personnel. For FY 2020-21, the state agency common policy allocations total \$54,050,594, including \$31,786,780 General Fund and \$22,263,814 in cash and reappropriated funds. Total General Fund savings from the payment from the Department of Treasury and state agency common policy allocations totals \$202,736,186.

Originally, staff was going to recommend a two-step process – as described in the alternate recommendation. In this scenario, the first step would require a statutory change to move the payment date from Treasury to PERA from the first day to the last day of the fiscal year. This would prevent

the need for a "clawback" of funds in the event a suspension was determined to be necessary at a later point in the year, such as in the January supplemental. The second step would suspend the payment entirely at the point that additional balancing action was necessary.

However, at this time, staff recommends both moving the date of the payment and suspending the payment for FY 2020-21 due to the following characteristics:

- The relatively complicated nature of the common policy allocation, for which collection begins in the first month of the fiscal year and the potential need to unwind and refund the common policy allocation at mid-year; and
- The likely substantial balancing action that needs to take place based on the current economic and revenue situation.

→ TRANSFER FROM THE UNCLAIMED PROPERTY TRUST FUND TO GF

RECOMMENDATION: Staff recommends that the Committee may choose to sponsor legislation to transfer funds from the Unclaimed Property Trust Fund to the General Fund for additional balancing.

ANALYSIS:

As of the time of publication of this document, staff had not yet received an updated balance amount available in the Unclaimed Property Trust Fund.

SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

10.0-20.0 PERCENT REDUCTION SCENARIOS

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0-20.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.

The Department's base General Fund appropriation in FY 2019-20 was \$339.3 million General Fund. However, \$337.0 million are transfer payments included in the Special Purpose division. Staff has identified recommended cuts that total \$311.5 million representing 92.4 percent of the Special Purpose division total.

The Department's Administration division (Department operations) base General Fund appropriation in FY 2019-20 was \$2.2 million. Staff has identified recommended cuts for FY 2020-21 that total \$293,000 in addition to the \$371,000 in savings already included in JBC action from the FY 2019-20 appropriation. Total identified cuts for the Administration division total \$664,000 General Fund representing a 29.7 percent reduction from FY 2019-20.

- A 10.0 percent reduction would be (\$223,525), representing an increase in the budget from JBC Action.
- A 20.0 percent reduction would be (\$447,050).