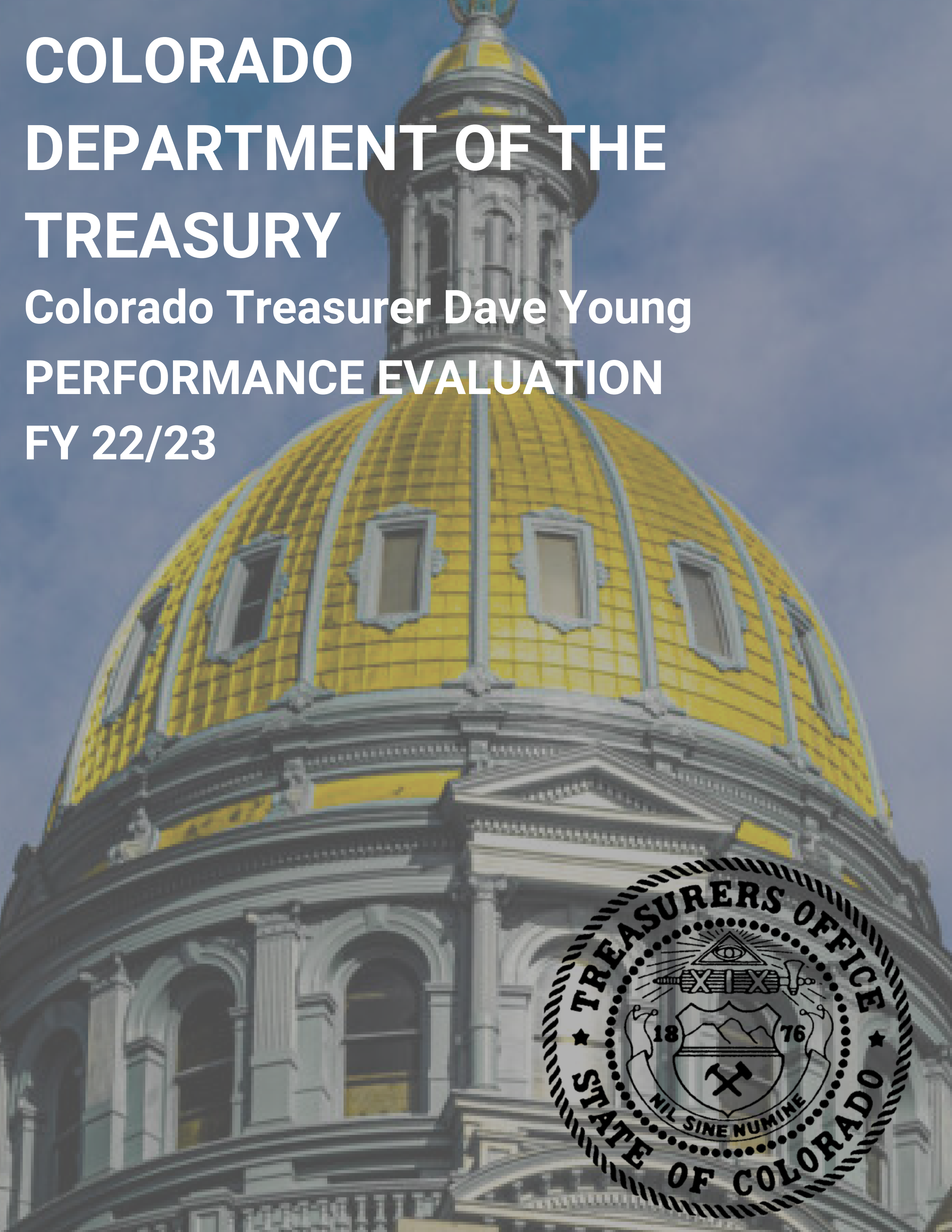
COLORADO DEPARTMENT OF THE TREASURY

Colorado Treasurer Dave Young

PERFORMANCE EVALUATION FY 22/23



ABOUT THE TREASURY

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 tax dollars from the time they are received until the time they are disbursed. Treasury staff is committed to safeguarding and managing the people's monies 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 residents 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.

COLORADO REVISED STATUTES

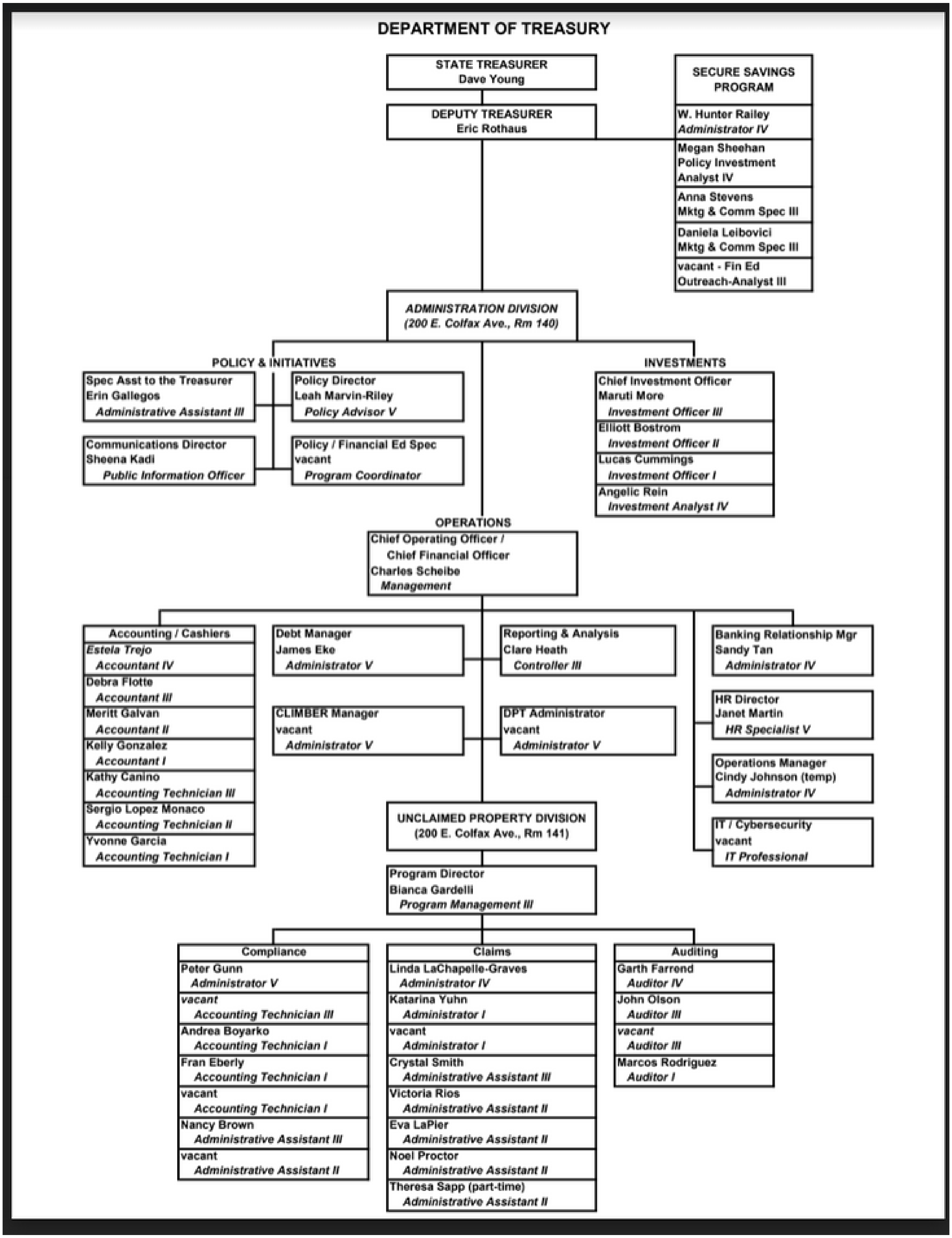
General: § 24-22-101, C.R.S., *et seq.*

Accounting, Banking, CLIMBER, Debt Management, Investments, Secure Savings:
§ 24-36-101, C.R.S., *et seq.* § 24-36-201, C.R.S., *et seq.*
§ 24-54.3-101, C.R.S., *et seq.*

State Funds and Accounts: § 24-75-101, C.R.S., *et seq.*

Unclaimed Property: § 38-13-101, C.R.S., *et seq.*

DEPARTMENT STRUCTURE



PERFORMANCE EVALUATION AND PROGRESS TO GOALS

ACCOUNTING DIVISION

✓ COMPLETED
✓ IN PROGRESS
✓ NOT STARTED

The mission of the Accounting Division is to serve as the custodian of the general ledger and related accounting transactions; to provide timely, comprehensive, and accurate financial reports and analysis, and to maintain a system of internal accounting and system controls to safeguard State assets and ensure financial data integrity.

The Accounting Division is committed to fulfilling our mission in an ethical, courteous, cost effective, and efficient manner, striving for continuous process improvement by maximizing the use of our technology resources, continuing education, and collaboration. State agencies, with limited exceptions, are required by state statute to deposit all revenues with the State Treasury. The Treasury accepts all deposits from state agencies and makes payments to state agencies as required to fulfill the agency's mission. The division also provides information on cash receipts and disbursements to individual agencies and works closely with the state's banking services provider to ensure that the state's cash flows are reconciled to the penny on a daily basis.

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

Performance Indicators:

- Identify key positions and processes. ✓ (completed)
- Update, revise, or create technical procedures. ✓ (in progress)
- Drive efficiencies through continuous process improvement. ✓ (in progress)
- Align training and development opportunities to operational goals. ✓ (in progress)
- Create succession planning action plans. ✓ (not started)

COMPLETED
IN PROGRESS
NOT STARTED

CLIMBER PROGRAM

The mission of the Colorado Loans to Increase Mainstreet Business Economic Recovery (CLIMBER) Loan Fund is to provide up to $250 million in working capital to Colorado small businesses through 2024, promoting small businesses recovery, saving jobs, and helping support the Colorado economy.

The program is designed to catalyze loans that are unlikely to otherwise happen. Below-market interest rates and favorable terms enable the program to be a secure recovery option for small businesses. Special consideration is given to small businesses that are underserved and in rural areas; are in low- to moderate-income areas; and are in distressed and underserved areas. CLIMBER is a partnership between the State of Colorado, including the State Treasurer's Office and the Office of Economic Development and International Trade (OEDIT), Colorado Housing and Finance Authority (CHFA), Minority Business Office (MBO), and CLIMBER's private investors.

Performance Goal: Keep CLIMBER operational after 2024 as a regular state program in partnership with the Office of Economic Development and International Trade (OEDIT).

Performance Indicators:

- Identify continued sources of funding.
- Identify continued banking support.
- Modify legislation or adopt a new policy to make the program ongoing.

COMPLETED
IN PROGRESS
NOT STARTED

DEBT MANAGEMENT

The mission of the Debt Management Division is to fund state needs at the lowest and most efficient cost to taxpayers over time, subject to global financial conditions, through the design and implementation of public debt management.

The State utilizes public financing to undertake large capital projects - e.g. building schools or repairing roads and infrastructure. The State then makes regular payments for the asset over the term of the financing, which includes the principal amount, plus some amount of interest. Although the State pays interest, debt-financed capital projects can be cost effective if costs associated with waiting to build, such as loss of opportunity, increased operating expenses from facility demands, or increased construction costs, exceed the interest rate. In addition, debt-financed capital assets can promote tax burden equity as the asset is being paid for over the entire time during which the benefits of the asset are being enjoyed, and not all-at-once by taxpayers in one given year.

Performance Goal: Include more Environmental, Social, and Governance (ESG) disclosure and reporting as it relates to public financing as part of department policy and procedures.

Performance Indicators:

- Research ESG frameworks.
- Modify official statements.
- Calculate what is impacted by each financing.

COMPLETED
IN PROGRESS
NOT STARTED

INVESTMENT DIVISION

The mission of the Investment Division is to provide investment programs that are safe, prudent, and appropriate for the public purpose of each fund, with rates of return consistently above or at performance benchmarks over time. The State Treasurer has set an investment policy stressing, in order of importance, safety, liquidity, and return as the key goals for all of the taxpayers' funds entrusted to him. To meet these goals, and in compliance with state constitutional requirements, all funds under Treasury's management are in fixed-income portfolios.

The Investment Division is responsible for managing all investments in the State of Colorado Treasury, which includes operating and trust funds with total assets currently exceeding $20 billion. In managing the Treasury operating fund (TPOOL), the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF), and a portion of the Public School Permanent Bond Fund (PSPF), the division earns and distributes steady cash flows from interest income and realized capital gains by neutralizing realized gains and losses.

Performance Goal: Develop and propose a fair, competitive, and an equitable compensation plan to continue to attract and retain qualified investment professionals to work for the Colorado State 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.

COMPLETED
IN PROGRESS
NOT STARTED

SECURE SAVINGS PROGRAM

The mission of the Colorado Secure Savings Program (CSSP) is to increase retirement savings in Colorado to ensure a dignified and sustainable retirement for everyone.

CSSP alleviates the retirement savings crisis in Colorado by providing over 930,000 workers with access to a State-facilitated, work-based retirement savings option. Analysis from the Colorado Secure Savings Plan Board, which predates the Colorado Secure Savings Program Board, estimated that over 40% of workers attached to a firm with five or more employees, and who have been in business for two or more years do not have access to a workplace retirement plan. The enacted legislation requires all employers meeting those minimum qualifications to either enroll in CSSP at no cost, or provide a private retirement plan to their employees.

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

Performance Indicators:

- Additional state partnerships.
- Direct engagement with 1099 and self-employed populations.
- Marketing and Outreach Strategy implementation.
- Enforcement with Colorado Department of Labor and Employment (CDLE).
- Number of enrollees in funded accounts.

COMPLETED
IN PROGRESS
NOT STARTED

UNCLAIMED PROPERTY DIVISION

The mission of the Unclaimed Property Division is to reunite owners (or heirs) with their unclaimed or abandoned property.

Unclaimed Property laws began in the United States as a consumer protection program and have evolved to protect not only property owners, but also their heirs and estates. Unclaimed property is tangible or intangible property that has had no activity for a specific period of time. Unclaimed property includes, but is not limited to, abandoned financial assets such as stocks and dividends, mutual funds, checking and savings accounts, unpaid wages, securities, life insurance payouts, uncashed checks that are without activity for a certain period of time, as well as the contents of safe deposit boxes for which the rent has been past due for at least five years. It does not include real estate or vehicles.

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.
- Manage and collaborate with contractors for successful reporting, maintenance and return of Unclaimed Property.
- 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.
- Authorize 40 third party audits.

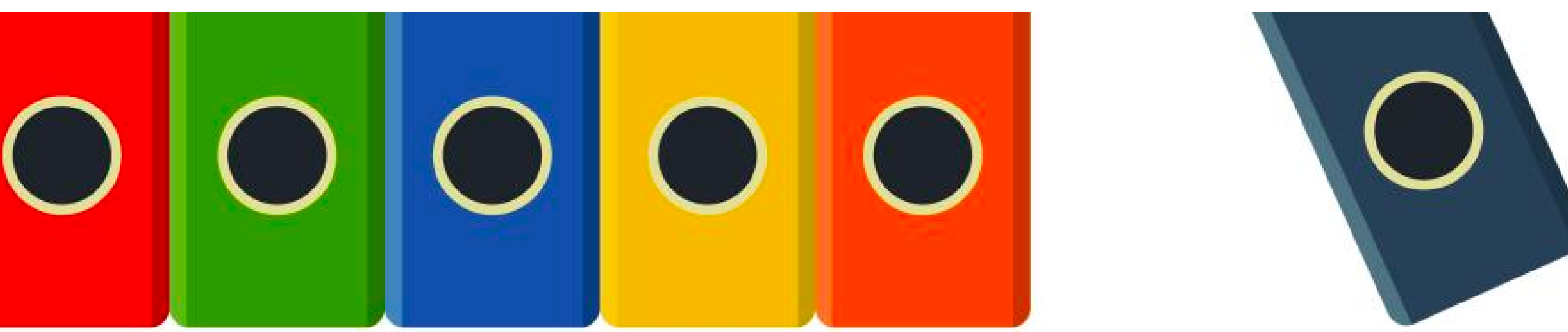
REGULATORY AGENDA

Unlike many other agencies, the Treasury Department has a minimum number of rules. Currently, rules registered with the Colorado Secretary of State provide guidance regarding public finance (8 CCR 1508-2) and regarding enforcement of the Revised Uniform Unclaimed Property Act (RUUPA) (8 CCR 1508-1) The Department has submitted rules for publication to provide guidance regarding the Colorado Secure Savings program (8 CCR 1508-3).

The Department may enact rules regarding the administration of the property tax deferral program. Last, the Department plans to revise its public finance rules.

The Department will work with the Office of the Attorney General, the Department of Regulatory Affairs, and the Office of the Secretary of State, as well as stakeholders to successfully adopt and implement rules.

Ref #	Div	Anticipated Hearing or Adoption Date	Rule Number	Rule Title	New rule, revision, or repeal?	Statutory or other basis for adoption or change to rule	Purpose of Proposed Rule	Stakeholders
1	Admin	July 2023	New	General Administration of Property Tax Deferral Program	New	§39-3.5-103.5(3), CRS	To provide guidance for process and procedures surrounding the Property Tax Deferral Program	Property Owners, County Treasurers, Program Participants
2	Admin	September 2023	8 CCR 1508-2	State Public Finance Policy	Review	§24-36-121, CRS	To provide guidance related to state public financing	State Agencies, Financial Advisors, Financial Community, Underwriters



LEGISLATIVE AGENDA

PROPERTY TAX DEFERRAL PROGRAM

Through SB21-293, the Colorado Legislature expanded the property tax deferral program to allow homeowners of a primary residence to defer any increase in their property tax bill over 4% growth in that tax.

Property tax deferral programs allow homeowners to postpone payment of their property taxes for a specified time frame, or until death of the owner or transfer of property, whereupon the taxes and interest are then due. This allows lower- income or fixed-income homeowners to remain in their homes, while property tax increases are deferred until such time as they can be paid using funds sourced from the homeowners' equity and/or the owner is able to reimburse the state.

Under current law, the Department of Treasury manages a deferral program that can be utilized by seniors and disabled veterans. SB21-293 allows all other primary residence homeowners to defer the increase in their bill over 4% growth. The deferral is statutorily scheduled to start in January 2023.

SB22-220 is follow-up legislation to SB21-293, which outlines the details of the program expansion.

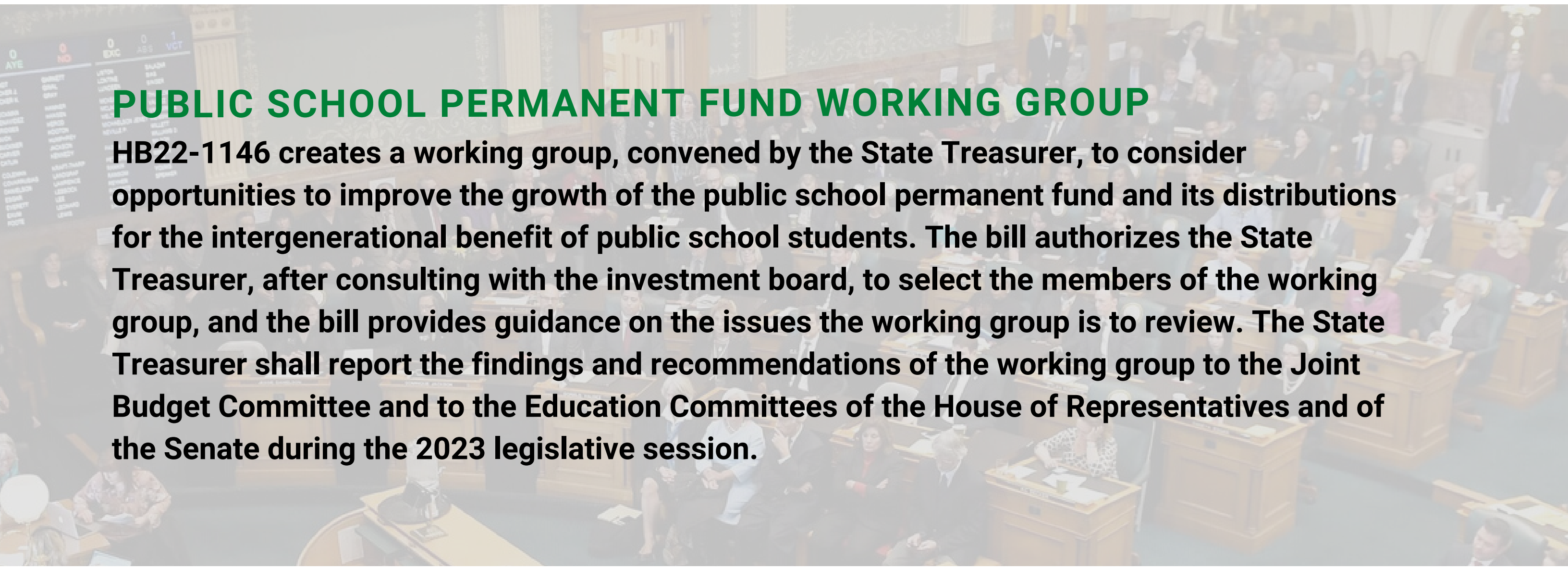
Currently, there is a property tax deferral program (program) for the State to make a secured loan to a qualified taxpayer to pay property taxes owed for the taxpayer's homestead. The act shifts the administrative responsibilities for the program from county Treasurers to the State Treasurer. This includes requiring:

- A taxpayer to file a claim for deferral with the State Treasurer;
- The State Treasurer to supply the deferral forms;
- The State Treasurer to issue the certificate of tax deferral and record the certificate with the appropriate county clerk and recorder free of charge;
- The county Treasurer to refund any overpayment on an account that has been deferred to the person who paid the taxes;
- A taxpayer to tender repayment of the loan to the State Treasurer; and
- The State Treasurer to send a deferral notice to taxpayers who have previously deferred property taxes, which notice has been updated to reflect the State Treasurer's administrative role. The State Treasurer cannot be held personally liable for failure to provide notices relating to property in the program.

In addition, the State Treasurer is permitted to:

- Conduct a public education campaign about the program;
- Contract with a third party to administer the program on behalf of the State Treasurer; and
- Promulgate rules for the administration of the program.

The act also creates an exception to the requirement that a loan becomes payable for a taxpayer when a property is no longer the taxpayer's homestead or when the taxpayer's equity in the property is less than the amount of the deferral and accrued interest on the deferral if the property becomes uninhabitable and loses its value as a result of natural causes, and it permits the State Treasurer to foreclose a deferred tax lien once taxes and accrued interest become delinquent, instead of requiring the foreclosure.



PUBLIC SCHOOL PERMANENT FUND WORKING GROUP

HB22-1146 creates a working group, convened by the State Treasurer, to consider opportunities to improve the growth of the public school permanent fund and its distributions for the intergenerational benefit of public school students. The bill authorizes the State Treasurer, after consulting with the investment board, to select the members of the working group, and the bill provides guidance on the issues the working group is to review. The State Treasurer shall report the findings and recommendations of the working group to the Joint Budget Committee and to the Education Committees of the House of Representatives and of the Senate during the 2023 legislative session.

SECURITY TOKEN STATE FINANCING

SB22-025 requires the State Treasurer to study the feasibility of using security token offerings for state capital financing and determine the extent to which the use of security token offerings of state capital financing would be in the best interest of the state. The State Treasurer is required to complete the study and report the study findings to the Finance Committees and Joint Budget Committee of the General Assembly by March 1, 2023.

HOUSEHOLD LENDING

HB22-1359 requires the State Treasurer to establish the Colorado household financial recovery pilot program (program) in the Department of the Treasury to partner with financial institutions to incentivize lending to low-income individuals and households, including households impacted by the COVID-19 pandemic or its negative economic impacts.

Money available for the program must be used for one or more of the following purposes:

- To establish a loan loss reserve to partially offset risk to lenders in making loans to individuals and households impacted by the COVID-19 pandemic;
- To make payments to lenders to buy down interest rates on loans made to individuals and households impacted by the COVID-19 pandemic;
- To provide lending capital for affordable, small loans to individuals and households impacted by the COVID-19 pandemic; or
- To award grants to nonprofit community-based organizations to conduct marketing and outreach to individuals and households impacted by the COVID-19 pandemic who may be eligible to participate in the program.

CLIMBER SMALL BUSINESS LOAN PROGRAM

HB22-1328 makes revisions to the existing CLIMBER Loan Program:

- Extends the period through which the program can issue capital for the loan program through fiscal year 2023-24;
- Increases the amount of capital that can be issued in the last 3 fiscal years of the program without increasing the total amount that can be issued for the life of the program;
- Lowers the minimum amount of a loan to a small business from $30,000 to $10,000;
- Lengthens the maximum initial maturity of a loan to a small business from 5 years to 10 years;
- Changes the requirements for an eligible borrower to require one year of positive cash flow instead of 2, and at least one employee instead of at least 5 employees;
- Clarifies the benchmarks that apply to the program for making loans to businesses owned by socially and economically disadvantaged individuals;
- Extends the time for the program to issue tax credits through State fiscal year 2022-23;
- Extends the period through which the program can issue tax credits through fiscal year 2022-23 without changing the total amount of tax credits that can be issued over the life of the program;
- Allows tax credits issued in fiscal years 2021-22 and 2022-23 to be claimed on a schedule beginning in a taxable year that begins on or after January 1, 2023; and
- Removes a requirement that if additional State or federal money is appropriated or allocated to the program, the value of the tax credits authorized by the program must be reduced by the same amount.