STATE OF COLORADO DEPARTMENT OF THE TREASURY

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Department of the Treasury
Long Range Financial Plan
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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 the citizen's tax 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.

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

VISION STATEMENT

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

MAJOR FUNCTIONS OF THE TREASURY DEPARTMENT

The Treasury Department is organized into five distinct divisions: Administration (encompassing Accounting, Cash Management and Banking, Investments, Debt Management), CLIMBER, Secure Savings, Unclaimed Property, and Special Purpose.

The State Treasurer and his staff serve Colorado's citizens by providing banking and investment services for all funds deposited with the state treasury. As funds are deposited, they 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 citizens.

The Department provides debt management services on behalf of the State, pursuing low interest financing to keep costs low. The Department oversees the Unclaimed Property program, returning millions of dollars every year to its rightful owners across the state.

In addition, the Department works closely with appointed boards to execute new programs, CLIMBER - designed to aid small businesses impacted by the pandemic - and Secure Savings - the creation of a portable retirement savings plan for Coloradans who don't currently have access to such a plan.

Administration

Accounting

On a daily basis, the accounting division records and reconciles the funds that flow into and out of the State's operating account. The section also manages the disbursement of flow-through funds such as the Highway Users Tax Fund 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 funds eligible to earn interest
- Daily reconciliation of the database of the State's investments
- Accounting for and distributing the payments received by the State under the Master Tobacco Settlement Agreement and the Tobacco Tax monies collected under Amendment 35
- Preparing and managing cash flow estimates for the disclosures required for the State's annual Tax and Revenue Anticipation Notes
- Managing the Property Tax Deferral Program for Seniors and Active Military Personnel
- Calculating and disbursing payments for the Senior Citizen and Disabled Veteran Property Tax Exemption Program
- Issuing cash flow notes on behalf of those school districts participating in the State's interest-free school loan program, including ongoing monitoring of actual vs. 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
- Accounting for the investment of custodial funds from state-issued Certificates of Participation and Enterprise Revenue Bonds

The accounting division also provides cashier services for the State. Cashiers are responsible for daily tracking of all cash receipts, monitoring deposits made by sibling agencies in the State's operating account, updating the State's bank balances over the course of each day, and initiating electronic transfers from the State to recipients of state and fiduciary funds. Finally, the Accounting division manages the department's internal administrative functions such as budgeting, personnel, payroll, accounts payable, and purchasing. Treasury does not currently have a dedicated IT staff member; and, therefore, has an agreement with the Governor's Office of Information Technology to host Treasury's server and to provide desktop support.

Cash Management and Banking

Treasury's Banking Relationship Manager manages the State's banking service agreements. The State currently maintains agreements with four primary banks:

1) Keybank provides lockbox services for various State agencies including: the Department of Natural Resources (Parks and Wildlife), the Department of Labor and Employment, the Department of Health Care Policy and Financing, and the Department of Regulatory Agencies (Division of Insurance);

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; in addition, this financial institution provides custody and safekeeping services;

3) US Bank provides debit card and direct deposit services to the State's unemployed citizens through the Department of Labor and Employment;

4) JP Morgan Chase provides online payment services for the Department of Revenue for tax payments and the Department of Labor and Employment for collection of unemployment insurance payments.

On-going banking efforts include ensuring effective bank services and controls for State agencies, evaluating technological changes to reduce cost 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 Cash Manager manages the CMIA agreement 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 $103 million) and calculates State disbursement patterns that are the basis of the reimbursement schedules. Treasury negotiates the annual agreement and prepares the annual report of excess or deficit interest earnings.

Debt Management

The Treasurer's Office assumed the responsibilities of managing the State's financial obligations after enactment of Senate Bill 12-150. In this role, Treasury continually analyzes the State's outstanding financial obligations to identify refinancing opportunities in order to produce both present value and cash flow savings for the State.

Additionally, financial obligations have numerous annual post-issuance compliance measures required by both the Securities Exchange Commission (SEC) and the Internal Revenue Service (IRS). Treasury's analysis of these measures lead to an overhaul of the State's post-issuance compliance procedures required by the SEC and the IRS, implementing new procedures and processes to bring the State into 100% compliance.

Short-term Note Issuance

Due to the highly irregular flows of revenues into the state, Treasury issues short term tax and revenue anticipation notes on behalf of the State. This financing provides funds to meet the State's liquidity needs in months when the State's general fund experiences a deficit. Interest on the notes and their costs of issuance are paid from investment earnings and premium. Notes were not issued in FY 2021-22 due to the State's positive cash position.

In July 2021, the Treasury issued the ETRANs 2021 Series A, $370 million in short-term notes to fund cash flow shortages in school districts. In January 2022, an additional issuance of approximately $400 million (2021 Series B) for this program will occur. Both sets of notes mature in June 2022; and, although the interest due on the notes is paid by the General Fund per statute, the repayment of the notes' principal is from the property tax collections of the participating local school districts. These notes also mature in June 2022.

Higher Education Lease Purchase Agreements

Section 23-1-106.3, CRS, enacted in 2008, authorizes the State Treasurer to execute lease purchase agreements on behalf of the State for capital projects at certain state-supported institutions of higher education. The legislation sets the term of maturity and maximum annual lease payment amounts. The repayment sources for these transactions are the General Fund and the Higher Education Federal Mineral Lease Revenues Fund created in § 23-19.9-102, CRS. $230.8 million in Certificates of Participation (COPs) were issued in 2008. The proceeds funded twelve projects. Unspent proceeds from these twelve projects then funded an additional eleven projects at higher education institutions in 2012.

A portion of the 2008 COPs were restructured to realize both budgetary and present value savings. $35.9 million of refunding higher education Certificates of Participation were issued in December 2009, which saved the state $12.8 million from FY 2009-10 through FY 2011-12. In November 2014, $110.5 million of refunding higher education COPs were issued which saved the state nearly $12 million over the life of the loan.

Colorado Department of Transportation Headquarters Series 2020 COP Refunding

In August 2020, the State closed on a refinancing on behalf of the Colorado Department of Transportation (CDOT). $19.05 million of COPs were issued, to refund and defease the Series 2016 CDOT COPs. This resulted in a present value savings of $8.08 million on COP repayment, or 36.3%.

National Western Center 2020A (Tax Exempt) and Series 2020B (Taxable) COPs

In October 2020, the state, using a tax exempt and taxable series, issued a par amount of $112.895 million in COPs, pursuant to HB 15-1344, codified at § 21-31-901 – 905, CRS to finance certain facilities at the National Western Center in Denver, and at CSU's affiliated campuses. This was the second issuance related to the National Western Center, the first taking place in March 2018. The total par authorized by the legislation was $250 million.

Building Excellent Schools Today (BEST) Lease Purchase Agreements

Since its creation, the BEST program has awarded approximately $2.5 billion in grants to more than 525 Colorado schools, improving health, safety and security for nearly 300,000 students. The General Assembly created the BEST Act (§ 22-43.7-101, CRS, et seq.) in 2008. The legislation authorizes the State Treasurer to execute lease purchase agreements on behalf of the State for certain kindergarten through twelfth grade public school capital projects.

The Public School Capital Construction Assistance Board (CCAB) recommends projects to be funded through these lease purchase agreements. Annual maximum lease payments were $20 million at the start of the program and have been continually adjusted upwards. The current maximum amount is $110 million. The State is responsible for funding lease payments not to exceed half the total. School districts, charter schools or Boards of Cooperative Educational Services provide "matching" amounts to make any additional lease payments up to the total.

The Treasurer makes lease payments from the Public School Capital Construction Assistance Fund, which receives moneys from school trust lands, from the Colorado Lottery, and from retail marijuana excise tax. Bonds and COPs have been issued since 2009 in support of the program.

Colorado Higher Education COPs, Series 2020

In February 2021, the Department issued $64.25 million par, with $16.7 million in premium, pursuant to Senate Bill 20-219. Proceeds went to three higher education institutions, the University of Colorado (CU), Colorado State University (CSU), and Ft. Lewis College for specific projects, as well as to the state's capital construction fund. The state was able to take advantage of historically low interest rates, with the rate for the issuance at 1.84%.

SB17-267 Rural Colorado Certificates of Participation (COPs)

The Department has issued three out of the four tranches of this four-year, $2 billion program for the State's roads and highways. (See §§ 24-82-1301 – 1303, CRS). Each tranche is for $500 million, though premium received due to a low interest rate environment has increased funds available to CDOT. The first tranche was issued in the fall of 2018, and additional tranches were issued in the spring of 2020 and 2021. A fourth tranche is anticipated being issued in Spring of 2022.

Investments

The Investment Division actively manages distinct investment portfolios with the primary objectives of, in order of importance, legality, safety, liquidity and yield.

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 TPOOL. Ongoing statutory changes oblige many enterprises to remit their tax remittances to the Department of Revenue electronically. With electronic remittance, funds are processed more quickly, providing the 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 performance goal in managing the Treasury operating fund (TPOOL) and the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF) is to earn and distribute steady cash flows from interest income and realized capital gains by neutralizing realized gains and losses. The performance goal in investing a portion of the Public School Permanent Bond Fund (PSPF) is to maximize total return by neutralizing realized gains and losses and to provide steady cash flows as required.

The management of the TPOOL and UPTPTF portfolio programs are governed by the Investment Policy Statement (IPS) written under 24-36-113, CRS and approved by the State Treasurer. The management of the PSPF portfolio program is governed by a separate IPS under 22-41-102, CRS and approved by an independent Public School Fund Investment Board chaired by the State Treasurer. Each IPS is subject to annual reviews and revisions, subject to statutory changes as well as changes in investment market conditions. In addition to annual reviews and revisions of the IPS, the Investment Division also conducts quarterly, monthly, weekly and daily reviews of the investment programs under the IPS through regular formal weekly staff meetings and daily updates.

The investment programs are managed by a staff of three led by the Chief Investment Officer with the assistance of two Investment Officers. All investment funds are managed internally. Investment responsibilities include portfolio construction and management of investments, spanning from maintaining overnight cash liquidity to investing up to 30 year maturities; executing/booking/settling buy/sell transactions by working with 26 approved national and international broker/dealers; and conducting investment research on multiple markets including: national/international global economic/investments in bonds, stocks, currencies, commodities; credit research on domestic and international borrowers across governments/agencies, corporations, residential/commercial mortgage-backed, asset-backed securities in over 50 high grade sectors to identify investment opportunities and actively manage investment programs to meet investment needs.

The Treasurer's Pooled Funds (TPOOL), formerly consisting of the TBOND and TCASH portfolios (which were consolidated in mid-2019 to better reflect a change in investment approach), 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 TPOOL.

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 up any capital losses the Fund may suffer from the General Fund. To minimize the likelihood of such an event, the portfolio is actively structured to preserve principal and, only then, to maximize income.

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 assets. 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 Unclaimed Property Tourism Promotion Trust Fund (UPTPTF) was created by § 38-13-801.5, CRS. 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 to be 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. $5.0 million of the UPTPTF is currently designated as a component of the State's Emergency Reserve.

A critical aspect of the daily functioning of the investment section 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 sale. Absent access to the Bloomberg System and subscriptions to independent, third-party credit research services and an electronic trading system, the Investment section's capacity to meet its constitutional, statutory and policy objectives would be virtually impossible.

CLIMBER 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 two years is designed to preserve thousands of at-risk jobs across the State. CLIMBER was created by HB 20-1413, codified at §24-36-201, et seq., CRS. While federal resources have provided a much-needed lifeline for many Colorado businesses, the State anticipates that additional support is necessary for small businesses that have less capacity and fewer borrowing opportunities to weather the long-term effects of the downturn than medium to large sized businesses.

The CLIMBER fund provides low interest working capital loans – ranging in size from $30,000 to $500,000 – to Colorado small businesses with 5 - 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 likewise a 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 meet its legislative goals of promoting economic recovery for the State, saving Colorado jobs and providing equitable access to capital across all 64 counties, recognizing that certain businesses and communities that have been historically underserved, disadvantaged and disproportionately impacted by the COVID-19 pandemic.

Funds come from the sale of insurance premium tax credits that mature at least five years after the date of issuance, thereby avoiding an immediate General Fund contribution or loss. The first tranche of fundraising includes six contributory institutions making up $22.5 million. With the inclusion of the State's first loss capital of $5.625 million, a total of $28.125 million is available for the loan participation and direct lending capital tools. The Credit Enhancement tool provides 15-20% credit enhancement in the form of a loss reserve or cash collateral for CLIMBER loans enrolled by lenders across the state. Adding $3 million provided for the Credit Enhancement tool 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, there are 13 lenders participating in the program; with $7 million dollars of Direct Lender Capital (DLC) loans deployed to these institutions with an additional $1.25 million lent directly to business.

Colorado Secure Savings Program

In 2019, SB 19-173 created the Colorado Secure Savings Board in the Treasurer's Office to study the costs to the state of insufficient retirement savings and three approaches to increasing retirement savings in Colorado. The Board found that over 40% of Coloradans do not have access to retirement savings at work, and that a state-facilitated automatic enrollment individual retirement account program is the best option for Colorado. The Board recommended the establishment of such a program, coupled with the greater use of financial education tools in the state. These recommendations were implemented in 2020 with the passage of SB 20-200 which renamed the board the Colorado Secure Savings Program Board and directs the Board to create and implement the Colorado Secure Savings Program.

The Colorado Secure Savings Program (CSSP) is codified at §24-54.3-101, C.R.S., et seq., 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 and implement a retirement program utilizing partnerships in the private sector that will enroll approximately one million uncovered workers across the state. Implementation and design includes 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.

In FY 2020-21, the first year of the Program's existence, several critical milestones have already been achieved: A professional board - that includes the State Treasurer as chair - has been appointed to oversee the program and meets regularly. An Executive Director, based in Treasury, has been hired to manage all aspects of Program design and implementation. Program governance and staffing needs for the implementation phases have been determined The Department has retained the services of a program consultant, investment consultant, and specialized legal counsel. Key design considerations have been determined, allowing the Board to move forward with procuring program administration and investment management services including automatic escalation rates, enrollment wave structure and frequency, IRA account structure, and the initial investment line-up. An implementation timeline has been established and clearly communicated to key stakeholders, as well as being made available to the general public.

Under the guidance of the program director, progress has been made in the following areas:

- Taken steps to begin hiring additional staff to support program design, outreach, and implementation.
- The initial drafting of requests for proposal for program administration and investment management services (the solicitation for program administration services is expected to be published before the end of 2021).
- Began work with a consulting team to determine Program evaluation metrics to better understand short, medium, and long term impacts and successes of the Program
- Initiated negotiations with the State of New Mexico to partner on program administration and investment management services, in an effort to expedite CSSP's timeline to self-sufficiency In the remainder of FY 2021-22, and in FY 2022-23

In addition to the program design work, program staff have begun outreach to key stakeholders, employer groups, and community organizations highlighting progress and communicating timelines and anticipated program expectations. Broad based stakeholder outreach will begin in November 2021, and formal rulemaking is planned for spring 2022. Program staff have worked to ensure all facets of the program are communicated transparently, and community participation is high during the design phases. Public board meetings often have upwards of 100 attendees from the general public.

Program staff has worked strategically to accelerate the timeline for the program to reach self-sufficiency. A pilot version of the program is anticipated to launch in October 2022, and formal enrollment is anticipated to begin in late 2022/early 2023. Full implementation of the program is expected to take place over 1.5 years, cutting the implementation timeline when compared to similar programs elsewhere by as much as 60%. Consequently, State funding needs for CSSP are anticipated to decline faster 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. Program staff and vendors believe that the shorter timeline can be accomplished without sacrificing service quality based on the experiences and best practices identified by other state programs.

As part of that effort, CSSP recently announced the intent to pursue a partnership opportunity with the State of New Mexico to share program administration and investment management services for program participants. This partnership is expected to provide an additional 400,000 savers, increasing the projected assets under management for the program, reducing fees for participants and, as a result, helps shorten the timeline needed for CSSP to reach self-sufficiency. This partnership represents the first of its kind for auto enroll IRA programs, and would make the program the first truly portable benefit to move across state lines, establishing Colorado as a leader in this area. Pursuit of this partnership opportunity is not expected to materially impact the design or structure of the program.

Unclaimed Property

The Unclaimed Property program was established in 1987, and codified at C.R.S. 38-13-101, 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 a few limited exceptions. The law 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 Revised Uniform Unclaimed Property Act (RUUPA) was passed in 2019 and became effective on July 1, 2020. The new Act modernizes the way the division and holders communicate 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. Because this Act was a uniform act, it has aligned Colorado with eight other states that have passed a version of the act. Additional states continue to consider passing a version of the act.

The Unclaimed Property Division includes a small internal audit team that is charged with ensuring holder compliance with the reporting requirement. This team provides seminars to educate citizens and businesses about the Unclaimed Property Act and the related compliance responsibilities. In FY 2020-21, the division held nine seminars/outreach programs. The seminars reached 500 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. Two in-person treasury conference seminars were performed, reaching approximately 150 individuals. 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 Unclaimed Property 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 2020-21 due to the Governor’s stay at home orders. The Desk Audit Program focused on mortgage, distribution, logistics, medical, and the construction industry. Desk audit collections in FY 2020-21 totaled approximately $206,000. 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 five outside auditing companies to conduct examinations of large national businesses. In FY 2020-21, the Division authorized these companies to begin 28 general ledger and 66 securities audits.

Since the program’s inception the Treasury has returned more than $550 million to citizens. Colorado businesses typically identify millions worth of unclaimed property during the reporting process. In many cases these businesses contact the property holders directly and return the money directly to them rather than transferring it to the Treasury. With these dual efforts owners or their heirs have had their unclaimed property returned to them.

In FY 2020-21, the Unclaimed Property Division returned approximately $42.94 million to 23,462 claimants. The division continues to leverage a new Unclaimed Property software program that has improved the tracking of claims and the information flow to and from the claimant and the Division. Rulemaking began in 2021 to revise the notary requirement threshold for claimants from $100 to $1,000. This process is expected to be finalized in 2021 and will allow more claimants to be electronically approved through the Division’s website without manual review.

The enhanced website brings in more inquiries and allows the Division to manage more claims, lessening the handling of paper requests. The site allows citizens to easily submit their claims online, uploading documentation easily from their smartphones. If additional documentation is requested by the Division, the workflow allows an email to be sent to the claimant. This reduces mailing 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 citizens can review when the claim has been paid.

The claims team continues to do proactive outreach to potential owners. 64,222 notifications were sent to potential owners via letter, postcard or email. In addition, the team locates and reaches out to potential claimants to assist with the claims process.

The Division currently maintains about 10.3 million properties, including $1.3 billion in assets and 428 million shares. The Colorado Unclaimed Property website allows holders to report electronically no matter the number of reports. In the past, only 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 without the requirement of reporting software. The Division no longer allows reports to be submitted via CD, paper reports, diskettes or emailed submissions in order to streamline processing and add security. Only checks should be received via mail, and the Division continues to encourage ACH transfers as the safest and most efficient form of payment resulting in a much faster processing time while eliminating checks getting delayed or lost in the mail. 4,985 checks were scanned and deposited for reporting year 2020, totaling $90.0 million. 1,781 wire transactions were received totaling $125.2 million.

Through June 30, 2020, §38-13-115, CRS required the Treasurer to sell unclaimed securities of Colorado citizens held by a third party. In FY 2004-05, Treasury began a liquidation process as required by statute. More than $51 million from the first two sales of securities was deposited into the newly created Unclaimed Property Tourism Promotion Trust Fund in FY 2004-05. 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. Going forward, RUUPA (§38-13-701, CRS) 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. Minimal sales are expected over the next year.

The Department's Investment Division manages the Unclaimed Property Tourism Promotion Trust Fund as a separate account. §38- 13-801.5, CRS 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) direct the Treasury to review all approved claims that exceed $600 for possible interception to satisfy human services, judicial and revenue obligations. The Division's software electronically validates whether a claimant owes funds to the Department of Human Services (DHS), the Judicial Department (JUD), or the Department of Revenue 11/01/2021 Department of Treasury Page 19 (DOR). The total dollar amount of "Intercepted" claims by department in FY 2020-21 was as follows: JUD $0; DHS $19,761; and DOR $3,125 (this was smaller because files were unable to be received by revenue).

Throughout the year, the Unclaimed Property Division also receives and processes unclaimed safe deposit boxes. In FY 2020-21, the total number of safe deposit boxes reported was 667. Other FY 2020-21 statistics: 2,631 items inventoried, 408 items returned via claims, and the total amount of sales from auctions was $997. The Division has continued contacting and requesting outstanding safe deposit boxes' contents from financial institutions. The Division did a proactive targeted mailing for safe deposit box owners in April 2021.

The Division successfully transferred to work from home as of March 17, 2020. The mail is gathered and scanned once a week so that claims can be remotely processed. The claims team communicates with claimants via email or returns calls from home. The compliance team processes holder reports and intermittently visits the office to scan needed paperwork to complete their research. The team also visits the office to receive and inventory safe deposit items. The audit team has worked audits remotely and has coordinated webinars. The Division will permanently work from home as its offices were condensed and consolidated with Treasury's Administration Division when its lease expired in June 2021. The Great Colorado Payback website is: https://colorado.findyourunclaimedproperty.com/.

Special Purpose

Special purpose programs include:

Property Tax Deferral Program for Seniors and Active Military Personnel
This program provides loans to pay the property taxes for qualified Colorado citizens who apply. During the 2002 legislative session, C.R.S. 39-3.5-105.5 and 105.7 were revised, changing the funding of this program from a general fund appropriation to an investment as a loan to the taxpayer. 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. The current rate is set at 2.25%. There are no limits to the number of applications the Department may receive, and limited eligibility requirements. The Treasury uses an Access database to manage this program. Additionally, 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. The Governor's Office is leading a study to determine how best to implement the legislation. Treasury anticipates a significant growth in the program as a result of this bill.

The Senior Citizen and Disabled Veteran Property Tax Exemption Program
Created by the passage of Referendum A, which voters approved by the voters in November of 2000 (codified §39-3-201, CRS, 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 to counties was made in April of 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.4 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 their surviving spouses. See §39-3-202, CRS.

Due to the State budget shortfall, §39-3-203, CRS 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; and $157.9 million in FY 2020-21.

The Property Tax Reimbursement for Property Destroyed by Nature

House Bill 14-1001 created this program by adding §39-1-123, CRS. 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, beginning in FY 2020-21, the appropriation was reduced to $725,000. Due to the nature and severity of numerous wildfires, Treasury anticipates a demand on this program significantly exceeding the current appropriation. While some impacts will be felt in FY 2020-21, long-term impacts due to soil erosion and possible flooding could result in need in FY 2021-22 or beyond, as well.

The Highway Users Tax Funds

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, CRS, 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 that 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, CRS 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, 2021, Treasury had 97 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, CRS 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 fund. At June 30, 2021, the fund had a balance of $7.0 million. Other Programs

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.

K-12 School District Intercept Program

The program created by §22-41-110, CRS 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, 2021 the outstanding par value of the bonds issued under the school district intercept program was approximately $10.8 billion.

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, CRS. 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 moneys collected by the institution. 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), CRS. As of June 30, 2021, 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 $1.5 billion.

DEPARTMENT OF THE TREASURY PERFORMANCE GOALS

Department Performance Goals

1. To accelerate receipt of all funds coming into the Treasury Department

2. To conservatively and safely invest the portfolios to preserve principal and consistently provide income

3. To disburse funds efficiently

4. To improve cash management and ensure adequate liquidity through better forecasting

5. To improve banking services

6. To provide technical assistance to local governments

Investment Division Performance Goals

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 reaching almost $11 million. 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 at or above performance benchmarks over time.

1. In managing the Treasury operating fund (TPOOL) and the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF) earn and distribute steady cash flows from interest income and realized capital gains by neutralizing realized gains and losses.

2. In managing a portion of the Public School Permanent Bond Fund (PSPF), maximize total return by neutralizing realized gains and losses and provide steady cash flows as required.

Unclaimed Property Performance Goals

- Review all claims within 90-day statute requirement. This includes approving, denying or responding to claimants requesting additional documentation within 90- days of receipt of documentation.
- Intake and process a monthly average of 80% (or greater) of calls that come in on the Division's claim hotline.
- Deposit unclaimed property holder payments within 2 weeks of receipt.

- November 1st is when the majority of reporting occurs. Holders should be identified and their reports credited within 2 weeks.
- Approximately 4,000 checks are received on or around November 1st. Reconcile 50% of new holder reports within 3 months of receipt.
- Send out documentation for 40 desk audits. (Not all will result in on-site audits).
- Complete the review of reporting for these holders to confirm proper reporting of unclaimed property. Authorize 40 third-party audits.
- Manage and partner with contractors for successful reporting of Unclaimed Property.
- Meet additional statutory requirements passed in SB19-088 (Revised Uniform Unclaimed Property Act).

Colorado Secure Savings Program Goals

- Hire FTE to fulfill internal staffing needs (expected to be completed in FY 2021-22)
- Develop formal rules for the Program in partnership with stakeholder groups (expected to be completed in spring 2022)
- Complete partnership agreement with the State of New Mexico Finalize contracts for program administration and investment management services
- Build an efficient, accessible, and user-friendly platform to facilitate participant enrollment, manage contributions, and verify compliance for employers opting out
- Work with internal staff, consulting team, and program administrator to develop and implement a marketing and outreach strategy
- Launch a pilot program for both Colorado and New Mexico beginning in October or November 2022
- Begin formal enrollment waves in late 2022/early 2023

A PERFORMANCE EVALUATION OF THE STATE AGENCY'S MAJOR PROGRAMS, INCLUDING AN IDENTIFICATION OF PROGRAMS THAT MAY NOT BE MEETING THE PROGRAM OBJECTIVES OR PERFORMANCE GOALS, AND A RECOMMENDATION ON STRATEGIES TO IMPROVE PERFORMANCE;

Investment Division

The management of the TPOOL and UPTPTF portfolio programs are governed by the Investment Policy Statement (IPS) written under CRS 24-36-113 and approved by the State Treasurer. The management of the PSPF portfolio program is governed by a separate IPS under CRS 22-41-102 and approved by an independent Public School Fund Investment Board chaired by the State Treasurer. Each IPS is subject to annual reviews and revisions, subject to statutory changes as well as l changes in investment market conditions. In addition to annual reviews and revisions of the IPS, the Investment Division also conducts, quarterly, monthly, weekly and daily reviews of the investment programs under the IPS through regular formal weekly staff meetings and daily updates.

The investment programs are managed by a staff of three led by the Chief Investment Officer with the assistance of two Investment Officers. All investment funds are managed internally. Investment responsibilities include portfolio construction and management of investments, spanning from maintaining overnight cash liquidity to investing up to 30 year maturities; executing/booking/settling buy/sell transactions by working with 27 approved national and international broker/dealers; and conducting investment research on multiple markets including: national/international global economic/investments in bonds, stocks, currencies, commodities; credit research on domestic and international borrowers across governments/agencies, corporations, residential/commercial mortgage-backed, asset-backed securities in over 50 high grade sectors to identify investment opportunities and actively manage investment programs to meet investment needs.

Unclaimed Property Division

- The Unclaimed Property Division has eliminated all backlog and claims are reviewed within 90 days.
- Average percentage of calls handled since July 1st are 92.86%
- Approximately 4,000 checks are received on or around November 1st. Reconcile 50% of new holder reports within 3 months of receipt.
- Colorado Unclaimed Property has issued 16 desk audits this fiscal year.
- Colorado Unclaimed Property has issued 11 third-party audits this fiscal year.
- Colorado Unclaimed Property has signed four renewal contracts with third party auditors. Nine holder education webinars were recently held, which included hundreds of holders.
- RUUPA requirements have been met
- New rules authorized under RUUPA have been adopted.
- More information can be found in the Treasury Department's 2022/23 Budget Request.

(e) A DESCRIPTION OF ANTICIPATED TRENDS, CONDITIONS, OR EVENTS THAT COULD IMPACT THE ABILITY OF THE STATE AGENCY TO MEET ITS GOALS AND OBJECTIVES;

Investment Division

Investment performance results are highly sensitive to changes in domestic and international economic, political, monetary and fiscal policies, capital investment flows, and market events in bonds, stocks, currencies and commodities across the globe. If interest rates continue to drop, interest income and cash flows will drop, but total returns would be higher with higher market values and higher unrealized capital gains. This will be in direct response to the current economic crisis paired with the current COVID-19 Crisis. On the contrary, If the interest rates were to rise, interest income and cash flows likely would be higher but total returns will be lower while unrealized losses would potentially rise in direct response to long term trade agreement between US-China, the UK leaving the EU, lower risk of global recession, higher business capital investments, more consumer spending, more spending by governments on infrastructure projects financed with higher federal deficits coupled with higher global economic growth and higher inflation.

Keeping investment staff well trained and skilled is taken very seriously in the investment community and the Treasury needs to catch up to stay on top of the learning process. It is important for the Treasury to attract and retain qualified staff. Finally, in addition to the S&P Ratings Research we currently receive, the Investment Division needs to subscribe to Municipal and Structured Research from Moody's or Fitch for broader specialized credit research support.

Unclaimed Property Division

Unclaimed property reporting by holders may decrease during times of economic downturn. Currently, none of the division's goals are based upon the amount of property holders' reports.

If holder reporting increases, then the percentage of reconciled reports within three months would decrease unless additional staff is added. In contrast, positive economic times may cause increased holder reporting.

DESCRIPTION OF ANY PROGRAMS CURRENTLY FUNDED IN WHOLE OR IN PART WITH FEDERAL FUNDS OR GIFTS, GRANTS, OR DONATIONS THAT THE DEPARTMENT ANTICIPATES WILL DECREASE IN THE FUTURE AND, THEREFORE, MAY REQUIRE STATE MONEY AS A BACKFILL.

N/A