

STATE OF COLORADO DEPARTMENT OF THE TREASURY

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MISSION STATEMENT

“The Colorado State Treasury is the constitutional custodian of the public’s funds. It is the Treasury’s duty to manage and account for 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 four distinct divisions: Accounting, Banking and Cash Management, Investments, and Unclaimed Property. The State Treasurer and his staff serve the citizens of Colorado 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. The income earned on investments augments the State’s revenues from taxes and fees and decreases the tax burden on Colorado’s citizens.

Accounting

On a daily basis, the accounting division records and reconciles all the cash that flows 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
- 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 sister 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 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 Cash 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 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 Merchant Processing services (credit card processing) as well as 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 Cash 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 \$70.0 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.

Investments

Responsible for managing all investments in the State of Colorado Treasury operating and trust funds with total assets of over \$10 billion. 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. 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 Investment division actively manages several 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.

Unclaimed Property

The Unclaimed Property program was established in 1987, 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 Division accepts encrypted reports on its website. Non-state holders with 20 or more items report electronically (a requirement since March 2007); and the division continues to work with state agencies on reporting in this prescribed format.

SB19-088: The Revised Uniform Unclaimed Property Act (RUUPA) was passed during the 2019 legislative session. With the passage of RUUPA, the Department is able to move away from outdated practices and utilize technology and more effective methods of processing claims and returning unclaimed property to its rightful owner. This bill was the first statutory update to unclaimed property law in over ten years and modernizes the way the Unclaimed Property Division does business in key areas. Among many increased efficiencies, holders of unclaimed property will have the option of contacting apparent owners by email before they use snail mail, increasing the likelihood that contact is made. Additional updates in the bill include an increase in the length of time securities are held before the division may sell them, which should make it more likely that owners will be reunited with their property, thus allowing individuals to make their own investment decisions with their securities. In addition, the bill adds guidelines and protections to ensure holders are not burdened by excessive audits, including the option of an appeal process.

In the past year, the Unclaimed Property Division has made significant improvements to the systems used to more efficiently return property to its rightful owner. The division currently receives an average of 600 claims a month. With a previous backlog of 12,000 open claims as of May 2018, the division has reduced the number of open claims to under 2,000 active claims today. In a little over a year, our hard working staff has reduced the backlog of unprocessed claims by over 80%, while also processing over 16,000 incoming claims, each claim being processed within 90 days.

RUUPA will contribute to the Division's ability to perform even more efficiently. It moves the Division into a new chapter, enabling us to utilize technology, adapt to changing economic models, and return unclaimed property in a timely manner to Colorado citizens. Last, RUUPA allows Colorado to maintain a website for claimants to view a listing of unclaimed property. 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 there are 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. In conjunction with Central Collections, the Department aggressively pursues delinquent accounts.

- The Senior Citizen and Disabled Veteran Property Tax Exemption Program
 - Created by the passage of Referendum A, which was approved by the voters in November of 2000, and codified at C.R.S. 39-3-201 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.
 - Language in Referendum A gave the legislature the authority to lower the amount of assessed residential property that may be exempted from taxes. Due to the State budget shortfall, C.R.S 39-3-203 was revised to decrease this amount to zero for tax years after December 31, 2002 but before January 1, 2006. Consequently, no payments were made for FY 2003-04 through 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, C.R.S. 39-3-203 was revised for the 2009 property tax year, reducing the amount of assessed residential property that may be exempted from taxes from \$200,000 to \$0, leaving the exemption for qualified disabled veterans, noted below, intact. SB 10-190 continued the 2009 reduction through the 2011 property tax year. As a result, Treasury made only \$1.3 million in payments to counties in FY 2009-10, \$1.6 million in FY 2010-11, and \$1.8 million in FY 2011-12. 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 \$102.7 million in payments to counties in FY 2012-13; \$109.8 million in FY 2013-14; \$116.9 million in FY 2014-15; \$127.1 million in FY 2015-16; \$136.4 million in FY 2016-17; and \$132.2 million in FY 2017-18. Referendum E, approved during the 2006 general election, allows the senior homestead exemption to be extended to veterans who have a service-connected disability rated as 100% permanent, as well as to their surviving spouses. This exemption was codified by revising the definitions in C.R.S. 39-3-202.

- The Property Tax Reimbursement for Property Destroyed by Nature
 - House Bill 14-1001 created this program by adding C.R.S. 39-1-123. 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.

- The Highway Users Tax Funds
 - The annual calculation, allocation and distribution of HUTF to Colorado counties and municipalities, and the Department of Transportation are responsibilities of the Treasury. 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 and codified at C.R.S. 43-4-801 et seq. FASTER generates additional revenues for statewide transportation improvements. Revenues generated from the Road Safety Surcharge, Oversize/Overweight Surcharge, Rental Car Surcharges, and late vehicle registration fees are credited to the HUTF and distributed per statute to the Department of Transportation, counties, and municipalities.

Other Programs

- Charter School Intercept and Moral Obligation Program
 - C.R.S. 22-30.5-406 allows a charter school entitled to receive money from the State to request that the State Treasurer make direct payments of principal and interest on capital construction bonds on its behalf. Treasury withholds the money 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. This program enhances a charter school's ability to obtain favorable financing terms on its bonds. 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 monies from which the Treasury would make bond payments in the case of a default by a charter school. C.R.S. 22-30.5-407 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 September 30, 2019, the fund had a balance of \$6.0 million. In the event that a default occurs that exhausts the balance in the fund, as well as the \$7.5 million appropriated in FY 2002-03 and FY 2014-15 from the State Education Fund, the statute

directs the Governor to notify the General Assembly so that it may consider whether to appropriate funds to pay off the bonds. This last element is the “moral obligation” aspect of the program. Failure by the State to make such an appropriation could have a substantial negative effect on the State’s credit and almost certainly interfere with its ability to issue certificates of participation. The statutory cap of the outstanding par value of the bonds issued by charter schools under this program was legislatively increased from \$200 million to \$400 million in 2006; and from \$400 million to \$500 million in 2014. As of September 30, 2019, the outstanding par value of the bonds issued under the moral obligation program was \$394.0 million.

- K-12 School District Intercept Program
 - The program created in C.R.S. 22-41-110 requires the Treasurer to make timely payments of principal and interest on school district bonds if the district is unable to do so. If the Treasurer makes such a payment, he shall recover the amount forwarded by withholding amounts from the school district’s payments of the State’s share of the district’s total program funding and/or from school district property tax and specific ownership tax revenues. With this security in place, school districts across the State have been able to receive greatly enhanced ratings on their bond issues. The program, created in 1991, automatically covers all school districts except those which have expressly opted out of the program. Since the program’s inception, no school district bonds have been opted out; and Treasury has never made a bond payment on behalf of a school district. As of June 30, 2019, the outstanding par value of the bonds issued under the school district intercept program was approximately \$10.0 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 revenue bonds issued by Colorado state-supported institutions of higher education, enacted as C.R.S. 23-5-139. 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 the Treasurer makes such a payment, he shall recover that amount by withholding 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 C.R.S. 23-5-139 (1)(b). As of September 30, 2019, 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 \$1.3 billion.

- 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. In July 2019, Treasury issued \$600 million in tax and revenue anticipation notes which mature in June 2020. In July 2019, the Treasury also issued \$400 million in short term notes on behalf of the State of Colorado Education Loan Program to fund cash flow shortages in school districts. An additional issuance of approximately \$400 million for this program will occur in January 2020. These notes also mature in June 2020; 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. Higher Education Lease Purchase Agreements
- In 2008, the General Assembly enacted C.R.S. 23-1-106.3 authorizing the Treasurer to execute lease purchase agreements on behalf of the State for certain capital projects at state-supported institutions of higher education as specified in House Journal Resolution (HJR) 08-1042. The legislation sets the term of maturity and maximum annual lease payment amounts. The repayment source for these transactions is the Higher Education Federal Mineral Lease Revenues Fund created in C.R.S. 23-19.9-102. C.R.S. 23-1-106.3 also specifies that the Treasurer will make an annual determination of the sufficiency of money in the Higher Education Federal Mineral Lease Revenues Fund for entering into additional lease purchase agreements in subsequent years. \$230.8 million in Certificates of Participation (COPs) were issued on November 6, 2008. The proceeds of the certificates funded twelve projects at institutions of higher education per HJR 08-1042 (projects 1-11 plus project 13). The unspent proceeds from these twelve projects were approved to fund an additional eleven projects at institutions of higher education per a letter from the Capital Development Committee dated September 6, 2012. Responding to historically low rates in the tax exempt market, 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. Then, again, 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.
- Building Excellent Schools Today (BEST) Lease Purchase Agreements
 - In 2008, House Bill 08-1335 (the BEST Act) was signed into law (codified as C.R.S. 22-43.7-101 et seq.). This legislation authorizes the Treasurer to execute lease purchase agreements on behalf of the State for certain kindergarten through twelfth grade public school capital projects. The legislation allows the Public School Capital Construction Assistance Board to recommend projects to be funded through these lease purchase agreements with annual lease payments that do not exceed, in total, \$20 million in FY 2008-09, \$40 million in FY 2009-10, \$60 million in FY 2010-11, and \$80 million in FY 2011-12 and any fiscal year thereafter. In 2016, Senate Bill 16-072 changed the limit to \$90 million in FY 2016-17 and \$100 million in FY 2017-18 and any fiscal year thereafter. Of this amount, 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. \$87.1 million in Certificates of Participation Qualified School Construction Bonds were issued on August 12, 2009 to fund the awards recommended by the Assistance Board and approved by the State Board of Education. On March 16, 2010, \$85.7 million in taxable Build America certificates and \$14.0 million in tax exempt certificates were issued to fund the second round of awards. On December 16, 2010, \$95.7 million in Qualified School Construction Bond certificates, \$119.8 million in taxable Build America certificates, and \$2.0 million in tax exempt certificates were issued to fund the third round of awards. On December 8, 2011, \$146.6 million in tax exempt certificates were issued to fund the fourth round of awards. On December 6, 2012, \$196.0 million in tax exempt certificates were issued to fund the fifth round of awards. On December 9, 2013, \$89.5 million in tax exempt certificates were issued to fund the sixth round of awards. In February 2015, unexpended Certificates of Participation proceeds from completed projects were utilized to fund one additional project. On December 7, 2017, \$156.3 million in tax exempt certificates were issued to fund several additional projects and \$115.8 million in tax exempt certificates were issued to refund a portion of the Series 2011 certificates. On August 7, 2018, \$168.8 million in tax exempt certificates were issued to refund a portion of the Series 2010 certificates. On December 6, 2018, \$240.4 million in tax exempt certificates were issued to fund eight additional projects. Treasury anticipates issuing \$162 million in tax exempt certificates in November 2019.

Management of the State’s Financial Obligations The Treasurer’s Office assumed the responsibilities of managing the State’s financial obligations after enactment of Senate Bill 12- 150. During FY 2012-13, the Treasurer’s Office worked diligently to put these new duties into motion by promulgating Colorado’s first State Public Finance Policy – which was viewed favorably by financial markets as well as credit rating agencies. 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.

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
7. To continue and improve funding for the Building Excellent Schools Today program

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 exceeding \$10 billion. 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

1. 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.
2. Intake and process a monthly average of 80% (or greater) of calls that come in on the Division's claim hotline.
3. Performance goals for compliance:
 - a. 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.

b. Reconcile 50% of new holder reports within 3 months of receipt.

4. Performance goals for auditing:

a. Send out documentation for 40 desk audits. (Not all will result in on-site audits)

b. Complete the review of reporting for these holders to confirm proper reporting of unclaimed property.

c. Authorize 40 third-party audits. Manage and partner with contractors for successful reporting of Unclaimed Property.

5. Meet additional statutory requirements passed in SB19-088 (RUUPA)

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 statutory changes and 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 of the 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 developed a project plan to move into compliance with the current statute. The two areas that the Division has been working on and continues to make improvements on are processing claims within 90 days and notifying apparent owners by mail.

(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 current uncertainties surrounding the ongoing trade war between US and China, a potential break-up of the EU if the UK leaves without a deal, rapidly evolving impeachment inquiries and investigations, and growing threats of global recession. 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 with a deal, 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.

The Investment Division's working assumption at this stage is that we will see steady downtrend in interest income and cash flows but higher total returns as interest rates remain under pressure going into the 2020 General Elections.

We need to budget for sufficient funds to allow investment staff to travel in order to attend essential professional investment conferences and meetings with research analysts, traders, strategists, and underwriters. 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. This is important for the Treasury to attract and retain qualified staff.

Finally, in addition to 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 report.

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