

STATE OF COLORADO  
DEPARTMENT OF THE TREASURY

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State Treasurer



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## 2017 SMART Act Goals

The State Treasurer and Treasury staff serve the citizens of the State of Colorado by providing banking, investment, accounting, and unclaimed property services for state agencies and individuals. The banking and accounting services help agencies keep proper track of funds. The investment services help increase state services without increasing citizens' tax burden. The unclaimed property services help reunite people with lost or misplaced assets. All of these services ensure the Treasurer has an active and important role in protecting the financial strength of the state.

The four divisions within the Treasurer's Office aligns with the aforementioned services: Accounting and Cash Management, Investment Management, Unclaimed Property (also known as "The Great Colorado Payback", or "the division"), and Administration.

This report fulfills the requirements of the S.M.A.R.T. Act set forth in C.R.S. 2-7-200-204. The S.M.A.R.T. Act ("the act") directs the Treasurer's Office to post instructions to itself regarding how it will develop a performance plan, set annual requirements, and—if needed—a regulatory agenda. The act also requires the plan and report to be posted on the website.

## Mission Statement

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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 citizens' 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 monies with the same diligence and care as they do their own.

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

## Vision Statement

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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.

## Statutory Authority

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General:	C.R.S. 24-22-101
Banking, Investments	C.R.S. 24-36-101
State Funds and Accounts	C.R.S. 24-75-101
Unclaimed Property	C.R.S. 38-13-101
Issuing Manager Authority	C.R.S. 24-36-121

## Core Objectives and Performance Measures

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The Treasurer's Office aims to achieve its mission and vision through identifying objectives for the following major functions within the office:

- Unclaimed Property
- Accounting and Cash Management
- Investment Management
- Public Finance Management

## Unclaimed Property

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The Unclaimed Property division ("the division") is unique because it is the most citizen-facing area of the Treasurer's Office. The core responsibility of the division is to reunite citizens with lost or forgotten property. The source of the property is entities such as banks, landlords, and businesses. The type of forgotten property can range from cash to stocks to gold and silver. Every state in the United States—and most provinces in Canada—have an unclaimed property program.

The division is comprised of three areas: audit, compliance and claims. The audit section will reach out to businesses and search for property that meets the legal definition of being “unclaimed”. The auditors will work with the holding companies to voluntarily submit these items to the state along with any known information about the owner. The compliance area will then enter the data from the holder into the division’s system. Once this is done, the property can be searched and claimed by its owner. The claims area is responsible for accepting and processing citizens’ claims for specific property.

The workload of the division has risen dramatically as citizens become more familiar with the program. This, combined with old systems and processes, combined to make the division operate below its potential. However, many steps have been taken to modernize the program.

The division deployed a new system to track property and pay claims. The system is called KAPs. It is expected the new system will help increase efficiency within the division. The division also has allowed citizens to submit claims and supporting documentation electronically. Existing records are being converted digitally. Removing paper processes will do much to decrease payment times and increase staff productivity.

A process mapping program was used to identify duplicative efforts. As a result, most claims payout checks are generated and mailed through the state’s check system. Previously this was done by division staff. The claims approval process was improved, and more staff were given claims approval permission.

**Objective:** To continue to improve the Unclaimed Property division by focusing on the people, processes, and policies that affect the division. To that end, Treasury will focus on:

- Training and development of existing staff. This will include gaining increased proficiency in the new KAPs system
- Establishing relevant personal and team goals and metrics for each area to objectively measure productivity and success
- Finish process mapping to identify and address process inefficiencies
- Identify areas of the Unclaimed Property Act which are outdated or cumbersome while balancing the security of the property
- Keep abreast of trends in financial fraud, identity theft, and internal controls
- Build stronger relationships with holders, local governments, and other customers

**Strategy:** Treasury staff has already started discussions about metrics and measurements. The division will work with the KAPs provider to offer more training. Treasury will work with relevant stakeholders to discuss legislative changes.

# Accounting and Cash Management

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The Accounting and Cash Management staff mission is to provide efficient management of state receipts and disbursements, ensure effective banking services to state departments, and offer cash management assistance to state departments and local governments. The staff is divided between accounting, a controller, and a cash manager. The accounting staff work on hundreds of state funds. The cash manager manages the banking relationship and addresses attempted fraud.

**Objective:** Continue to add value to other agencies, banks, and governmental entities by providing knowledge and technical expertise.

**Strategy:** The Accounting and Cash Management staff will attain 100% accuracy and maintain full statutory compliance with the disbursement of Special Purpose and programmatic funds on an annual basis. Special Purpose funds include:

- Highway Users Tax Fund
- Colorado Property Tax Deferral Program
- Senior Citizen and Disabled Veteran Property Tax Exemption
- Tobacco Master Settlement Agreement Funds
- Amendment 35 Tobacco Tax Funds
- Payment in Lieu of Taxes (PILT)

Many of these funds are audited on a regular basis. The Treasury expects to continue to maintain 100% accuracy with these fund disbursements.

# Investment Management

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The Investment Management area (“the managers”) primary responsibility is to invest state money in safe, prudent, liquid, and appropriate mechanisms which will earn the state interest. Any money earned by the managers helps to increase state services without increasing the taxpayers’ burden. The managers are responsible for developing and adhering to an investment policy which stresses—in order of importance—safety, liquidity, and yield. The Investment Management area is comprised of three staff members and includes the Treasury’s Chief Investment Officer.

**Objective:** The objective of the Investment Management area is to invest state funds in strict accordance with the state’s investment policy while maximizing yield.

**Strategy:** The managers have developed fund-specific benchmarks for funds and looks to continue outperforming these performance measures. The benchmarks are measured against Treasury notes and securities with a similar term, dated back over two decades. The Treasurer’s Office has historically outperformed its benchmarks. The following chart shows the historical performance of these benchmarks:

Performance Measure	Outcome	FY 12-13 Actual	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Actual
	Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark	Meet Benchmark
	Actual	Exceeded Benchmark by 114 basis points	Exceeded Benchmark by 120 basis points	Exceeded Benchmarks by 93 basis points	Exceeded Benchmark by 70 basis points

*\* This is a weighted average calculation for the five Treasury managed funds: Treasury Pool, Major Medical Insurance Fund, Public School Permanent Fund, State Education Fund, and Unclaimed Property Tourism Fund.*

Investment performance charts are also posted on the Treasurer’s website on a quarterly basis. In an effort to continue accountability and transparency, the treasury will continue to post quarterly results.

## Public Finance Management

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The Treasury also has a responsibility to manage the state’s financial obligations and public finance options. Colorado’s constitution prohibits the state from issuing general obligation bonds. Instead, the state can issue Certificates of Participation (“COPs”) and enter into lease-purchase agreements as authorized. Previous years’ legislation has authorized the Treasury to consolidate and manage these obligations, along with the credit rating agencies interactions and capital market relations. As part of this obligation, the Treasury has developed a public financing policy, streamlined reporting, identified opportunities for savings, and execute financial transactions as allowed by state law. One such transaction executed this year saved the state \$9 million.

**Objective:** To correctly and efficiently manage the state’s public finance area by:

- Fully comply with post-issuance compliance requirements, including SEC and IRS requirements
- Fully implement the relevant provisions in Senate Bill 17-267
- Streamline contracts and other legal documents to ensure better compliance

**Strategy:** The Treasury will work with stakeholders such as the Attorney General’s Office, bond counsel and others to streamline documents where appropriate. The Treasury also will continue to form strong relationships with the state’s pool of financial advisers, underwriters, and others to get the best market practices, news, and opportunities. Treasury will be adaptive to law changes on the state and federal level.

## Other Considerations

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On November 16, 2017 the rating agency Standard and Poors (S&P) placed the state’s credit rating on a negative watch. This action is worth noting because it is usually the first step taken by a credit rating agency before a downgrade occurs. S&P’s stated reason for the negative watch is the state pension’s funding ratio and contributions below the actuarially determined contribution rate (“ADC”). The firm also indicated the state could face a credit downgrade if “the state’s combined pension ratios continue to decline during our two-year outlook horizon, with no significant plan in place to improve pension funding”.

Colorado’s unfunded pension liability has been well-known for some time. However, the culmination of multiple factors has placed the state in a situation where rating agencies are paying close attention. Rating agencies will be closely monitoring any pension reform debate that takes place during the next legislative session.

A downgrade in the state’s credit rating would impact the state’s costs associated with lease-purchase agreements like that contemplated in Senate Bill 17-267. Also, school districts and others could see higher borrowing costs.