

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Alfredo Kemm, JBC Staff (303-866-4549)
DATE May 13, 2020
SUBJECT Unclaimed Property Trust Fund Balance and Other Treasury Balancing Items

UNCLAIMED PROPERTY TRUST FUND BALANCE

The Department of the Treasury provided an updated balance estimate for the Unclaimed Property Trust Fund (UPTF) as included in the following key metrics:

FY 2020-21 beginning balance	\$404.7 million
Net revenue and interest	\$ 74.6 million
FY 2020-21 Spending and Transfers:	
Unclaimed Property Program	\$ 4.2 million
Transfer to Adult Dental Fund	\$ 27.4 million
Transfer for H.B. 19-1322	\$ 30.0 million
<u>Delay transfer for H.B. 19-1322</u>	<u>(\$ 30.0 million)</u>
Subtotal: spending and transfers	\$ 31.6 million
FY 2020-21 estimated end balance	\$447.7 million
<u>Required reserve</u>	<u>\$188.0 million</u>
Available balance	\$259.6 million

The Treasurer discussed with the Committee the concerns and challenges related to collecting unclaimed property from large "holders" – primarily financial institutions and insurance companies. The Treasurer spoke of the holders' resistance to turning over identified unclaimed property to unclaimed property programs across the country, and that their resistance stems from the belief that unclaimed property is simply treated as a collection of property for state spending rather than for return to property owners. Thus, the Treasurer's recommendation that the Committee keep in mind the principles of the program when choosing to consider accessing funds from the UPTF for state spending and balancing purposes.

The state revenue forecast identifies multi-year revenue shortfalls. The Committee could choose to transfer up to \$259.6 million in a single transfer for General Fund balancing purposes. It is staff's understanding that the Committee has opted to pursue legislation to delay transfers in H.B. 19-1322 until FY 2022-23. Staff recommends that the Committee may wish to consider establishing a series of multi-year transfers from the UPTF on the scale of the transfers included in H.B. 19-1322 of \$30.0 million per year. On that basis, staff recommends that the Committee may wish to transfer \$30.0 million in FY 2021-22 and FY 2022-23. Additionally, as a relatively arbitrary "rule of thumb", staff recommends that the Committee initiate transfers for General Fund balancing, in addition to current spending from the UPTF, of no more than the estimated increase in revenue for each year. Nevertheless, the Committee could choose to transfer more or less, and to include transfers for additional years.

MAY 13, 2020

STATE PUBLIC FINANCING CASH FUND

The Department provided a balance summary for the State Public Financing Cash Fund. The summary identifies a balance of \$736,000 as of 1/31/19. Based on the activity in the summary over prior years since FY 2012-13, staff does not believe there is adequate balance or ongoing activity to recommend a transfer to the General Fund for balancing purposes.

DEPARTMENT COMEBACK FOR THE R2 REQUEST

The Department submitted a comeback request to restore \$80,000 cash funds from the Unclaimed Property Trust Fund for print and postage costs related to implementing S.B. 19-088 Revised Uniform Unclaimed Property Act or RUUPA and addressing deficiencies identified in the July 2019 performance audit by the Office of the State Auditor. Committee balancing action for R2 includes \$7,500 for a one-time auction. The \$80,000 comeback request is ongoing.

Staff agrees that this is a reasonable request from cash funds and recommends that the Committee may wish to consider approving the comeback request.

SUSPEND SENIOR HOMESTEAD EXEMPTION

The Committee delayed action on this item, included on pages 7 and 8 of the JBC staff balancing document. Staff continues to recommend this action for balancing purposes.

SUSPEND PERA DIRECT DISTRIBUTION

The Committee delayed action on this item, included on pages 8 and 9 of the JBC staff balancing document. Staff recommends that the Committee delay action at this time and take up PERA-related balancing actions as a part of Statewide Compensation decisions.