



STATE OF MAINE
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TO: Senator Peggy Rotundo
Representative Melanie Sachs
Senator Tim Nangle
Representative Holly Stover
Joint Standing Committee on Appropriations and Financial Affairs
Joint Standing Committee on State and Local Government

FROM: Henry Beck, State Treasurer

DATE: February 17, 2023

RE: L.D. 258 An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025"

Good morning, Senator Rotundo, Representative Sachs, Senator Nangle, Representative Stover and members of the Joint Standing Committees on Appropriations and Financial Affairs and State and Local Government. My name is Henry Beck, and I am the State Treasurer. I am here today to testify in support of the fiscal year 2024-2025 biennial budget bill, LD258. Thank you for this opportunity to come before you today to discuss the Office of the Treasurer's Administration budget, which are outlined on pages **A-635, A-636 and A-637**. We are proposing four initiatives.

Position Reclassification: This initiative would fund the reclassification of one Office Associate II range 13 position to an Office Specialist I range 16. This is in recognition of the increased tasks and responsibilities of this role and will align work functions to the appropriate classification. Funding for this reclassification is included in the FY22-FY23 supplemental budget.

Holder position: This initiative is for a new position to oversee holder compliance within our Unclaimed Property (UP) Division. This new position would be dedicated specifically to working with entities in possession of unclaimed property of another (referred to as "holders") required to comply with Maine's Revised Uniform Unclaimed Property Act (RUUPA). After speaking with UP administrators around the country and with UP auditors in the private sector, we believe as many 30-40% of holders do not comply with RUUPA because of a lack of awareness of the law, confusion, and sometimes, intentional nonadherence. This new position will conduct outreach to property holders, assist in good-faith compliance, and manage any necessary audits conducted as a last resort. We conservatively estimate that increased compliance made possible by a new FTE will generate as much as **an additional \$5 million in UP transfers to the GF** over the previous FY in the first year of the new biennium.

This new holder position will help resolve operational backlogs affecting the Unclaimed Property Division's ability to fully assist the public. We have backlogs in scanning of documentation and have been behind in

inventorying safe deposit box contents from banks. Treasury has been unable to hold an auction of safe deposit box contents since the 2000's, and we are running out of space our secure storage facility. A new holder position will be sufficient to meaningfully address these delayed tasks.

Staff accountant position: This initiative is for an additional accounting position in Treasury to increase our ability to provide electronic payment services to State agencies and ensure financial reconciliations are accurate and timely.

Many state agencies request on behalf of their customers for ACH (automated clearing house) services from Treasury and the accounting team. Given the development of payment systems over the past decades these requests are reasonable, but unfortunately, not realistic given today's staffing levels at Treasury and the needed requirements of the state's accounting and cash management systems. We currently offer ACH services for federal agencies only, and limited one-time payments from other customers and vendors. ACH payments often arrive without necessary details necessary to properly reconcile and credit agency accounts – leading to increased workloads, and agencies potentially missing out on intended revenues. A lack of capacity in our staff team can lead to situations where payments are not cleared in a timely manner. Delays can lead to agencies missing out on interest earnings and transfers not being recorded accurately. A new staff accountant will help expand dependable and accurate ACH services throughout all of state government and avoid delays of all manner of payments.

Additionally, the state's accounting and financial management system has grown increasingly complex, with more accounts and more payments - requiring more need for all manners of account reconciliation. This need has stretched the capabilities of our current accounting staff – and sometimes resulting in delays. When bank reconciliations are not current and outstanding (O/S) items are not cleared in a timely manner, revenues are not properly accounted in the accounting system and accounts where these O/S items should be posted are missing out on interest earnings. Additionally, revenues and expenditures can be over/understated until items are properly posted – resulting in additional burdens on respective departments.

Unclaimed Property Program Increase: The final initiative calls for a 5% increase in the Unclaimed Property Program budget. This increase reflects the ongoing growth in costs for technology used in the assisting the finding of property holders and dormant accounts of Mainers. This includes for subscriptions to services like that provide sophisticated data matching and unclaimed property auditing and recovery firms. Our investments have shown significant growth in the properties recovered by our office. Over the last biennium we have increase on our long-term average of \$25M per year recovered to \$31M in FY2021 and \$34M in FY2022. We believe these investments will continue to grow both the property recovered and the property returned to Mainers.

Thank you for the opportunity to present before you today. We hope you agree on the need to support these important initiatives. I would eager to provide answers to any of your questions here or at the work session.

UP Transfers to General Fund

