



STATE OF MAINE
OFFICE OF THE STATE TREASURER

39 State House Station, Augusta, ME 04333-0039

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HENRY E.M. BECK, ESQ
State Treasurer

GREGORY OLSON
Deputy State Treasurer

TO: Senator Breen
Representative Pierce
Joint Standing Committee on Appropriations and Financial Affairs
Senator Baldacci
Representative Matlack
Joint Standing Committee on State and Local Government

FROM: Henry E.M. Beck, State Treasurer

DATE: March 7, 2022

RE: LD 1995, HP1482 An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2022 and June 30, 2023.

Good morning, Senator Breen, Senator Baldacci, Representative Pierce, Representative Matlack, 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. Thank you for this opportunity to come before you today to discuss the operational portion of Office of the Treasurer's supplemental budget, and more specifically three new initiatives. I am here today to testify in support of LD1995, for the Fiscal Years Ending June 30, 2022 and June 30, 2023.

Our operational budget, covered under "Administration- Treasury 0022" is broken into two sections, including general services and abandoned property (unclaimed property). All three new initiatives I will present on today relate solely to the unclaimed property section of our operational budget.

Unclaimed Property consists of money and other financial assets that are considered lost or abandoned when an owner cannot be located after a specified period of time of inactivity. It includes items such as bank accounts, uncashed checks, life insurance policies, unpaid wages, stocks and dividends, refunds, and safe deposit box contents. Unclaimed Property does not include real estate, animals or vehicles. My office currently holds approximately \$290 million in unclaimed property and provides \$6 million or more to the General Fund each year. Last year, \$14 million was turned over to the General Fund. Maine's unclaimed property law ensures that we protect the property rights of the owner and reunite the owner with the property, that we relieve the holders of the expense and liability of carrying the property, and that we provide a centralized search location for citizens.

The first initiative is \$15,000 we are requesting for the ongoing costs of implementing Kelmar Fraud Index (KFI), a fraud detection and claim risk profiling feature that assesses risk on every claim, using Kelmar's proprietary Artificial Intelligence (AI). High risk claims are flagged for additional scrutiny. During the height of Covid, states including Maine saw a significant jump in fraud attempts throughout state government. Unclaimed property was a target. The quick implementation of KFI in 2021 has created a stopgap measure for bad actors, and one or two failed attempts at fraudulent claims can and has saved the State of Maine thousands of dollars and protected constituents' property.

The second initiative increases funding for the unclaimed property program by 5% based on current expenditures; specifically \$16,273. Costs of running the program have risen considerably since the last time we came before you to ask for an increase in funding for fiscal year 2018, and our ability to run the program efficiently and effectively depends on having the funds needed to conduct this work. Our largest single non-personnel related cost in this area is for the program that runs our unclaimed property system, called KAPS. Costs for this service have risen just in the last five years from \$135,000 to \$143,000, creating the need for decisions about what we can and can't do.

Our third initiative provides for funds in the amount of \$50,000 to conduct much needed outreach to both our holders and property owners. On the holder side, in the absence of a dedicated, full time employee to oversee our holder education, engagement and management, we have implemented an industry-standard tool called STACs, the State Targeted Assisted Compliance system, to increase holder unclaimed property compliance by identifying non-compliant holders, performing holder outreach, delivering education, and managing other voluntary compliance initiatives. On the property owner's side, we continue to find new and innovative ways to connect with our constituents. A data-sharing agreement with a few key state agencies has led to hundreds of thousands of updated addresses that have made the process of finding property owners and reuniting them with their property much easier. However, the cost of this process is significant but imperative – e.g. a recent list of 525,000 property owners who received checks for the Governor's Covid relief program, led to us returning \$5.5 million to 62,000 at a cost of \$19,000. Treasury's general budget absorbed this cost but cannot continue to do so.

We are confident that with these additions to our budget, we will continue to build our unclaimed property program and return abandoned property to its rightful owner.