



STATE OF MAINE
OFFICE OF THE STATE TREASURER

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HENRY E.M. BECK, ESQ.
State Treasurer

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Senator Joseph Baldacci
Representative Ann Matlack
Joint Standing Committee on State and Local Government
Via Electronic Delivery

Senator Baldacci, Representative Matlack and Honorable Members:

I am State Treasurer Henry Beck and I am here to testify in support of *LD 472, Resolve, Regarding Legislative Review of Chapter 104: Certain Payments Not Immediate, a Major Substantive Rule of the Treasurer of State.*

Passing this resolve gives final approval to major substantive rules prepared by my office and the Office of the State Controller that will bring careful but important modernization of methods used by the State to accept payments.

First, allow me to provide some procedural context and history. This topic and resolve are likely familiar to returning members of this Committee. In the 129th Legislature, Rep. Danny Martin sponsored agency bill that called for the rulemaking to modernize payment requirements. In deference to the Committee, we asked that the changes be “major substantive” thus giving the Legislature and interested parties time and input before accepting new rules. This Committee supported Rep. Martin’s bill, the Legislature enacted it, Governor Mills signed it and my office undertook the rulemaking process. A resolve to adopt drafted rules was heard by this Committee in the 2nd Regular Session in 2020, but the Legislature adjourned due to the civil emergency before that Resolve could be passed by both bodies. This fall, in anticipation of your return, my office restarted the rulemaking process and the current Resolve is before you today.

Next, I will explain what the rules accomplish and why they are needed. Maine law has long held that payments made to state agencies must be then immediately sent to the Treasurer. Maine law has also forbidden any deductions or fees to be incurred in the making of these payments. The major substantive rule before you for adoption only address the requirements that payments be “immediate.”

The landscape of payment systems has changed since this law’s inception. Our office has heard from state agencies such as DHHS DSER and Surplus Property that this “immediate” requirement is impractical when interacting with some third-party payment processors. Third-party payment processors are non-bank financial firms that allow for the acceptance of electronic payments. Examples include PayPal or systems used by eBay.

To remedy this problem, Rep. Martin’s bill, which is now chaptered law, allowed the Office of the State Treasurer to allow for more flexibility when payments are received electronically from third-party payment processors.

Under the drafted rules which will be finalized by adoption of the Resolve before you, payments from third-party payment processors may be received by the Treasurer within 3 business days of payment. However, important protections remain. First, the Treasurer, with the Controller’s advice, may deny a third-party payment

processor from doing business with the State, the Treasurer will be entitled to access account balances, payees must be notified that payment to the State is not immediate, and the State is not liable for funds until funds have been received in our primary account.

The proposed rules strike a balance between allowing for modernization of payments while still protecting the interests of the State and payees.

I urge the Committee to pass this Resolve and thank you for your work on this issue.