



State of Rhode Island  
Office of the General Treasurer

**Seth Magaziner**  
General Treasurer

**2020 November Revenue Estimating Conference**

**October 23, 2020**

**Testimony Notes**

**UNCLAIMED PROPERTY PROGRAM**

*Office of the General Treasurer Seth Magaziner*

*Prepared by:*

*Andy Manca, Chief Operating Officer, 401-462-7664*  
*Lammis Vargas, Director of Unclaimed Property, 401-462-7639*  
*Jeff Meehan, Chief Financial Officer, 401-462-7625*

**REVENUES**

**Special Audits:**

- The program contracts with outside firms who conduct audits of companies potentially holding unclaimed property. Special audits in recent years were predominantly examinations of large life insurance companies. The program's auditors activity also includes examination of financial institutions, large corporations, brokerage firms and remittance of accumulated shares and securities. These revenues have historically been reported as Traditional Revenues. For consistency purposes, the Special Audit Revenues reported here are from only large life insurance companies.
- **FY 2021:** The special audit estimate for FY 2021 of \$2.6M is based on current collections and forecasts provided by the program's auditors.
- **FY 2022:** The estimate for FY 2022 is \$2.5 million based on historical averages and through consultation with audit firms about the likely timing of completion of audits in progress.

**Stocks:**

- Stocks are generally held for a minimum of 1 year before becoming eligible for liquidation pursuant to RIGL 33-21.1-22. Stocks may be liquidated throughout the year if related to a claim, otherwise, a stock sale occurs once per year, usually in April or May.
- **FY 2021:** The program is anticipating \$3.6 million in revenues for stock conversion in FY 2021.
- **FY 2022:** The program is anticipating \$4.3 million in revenues for stock conversion in FY 2022 based on historical averages.

**Traditional Revenues**

- Traditional revenues are those not otherwise classified, and include holder receipts from companies, reciprocals from other states, and from typical audit activity. Holder reports are due by November 1 of each year and the program typically receives the bulk of its revenues on or immediately after the deadline.
- **FY 2021:** The program estimates \$20.4 million in traditional revenues for FY 2021, based on previous years deposit volume and an analysis of receipts collected year to date.
- **FY 2022:** The program projects \$20.6 million in traditional revenue based on historical averages.

**Departmental Escheat:**

- Under R.I. GL § 33-21.1-3.1, the State must transfer written-off checks to the Unclaimed Property fund like any other holder of unclaimed property. This process was established in conjunction with the Controller's Office and the Department of Taxation beginning in FY 2016, which exhibited a large accumulation of escheatment dating back to 2008.
- **FY 2021:** Treasury has estimated the escheatment for appropriately aged taxation checks (\$1.5 million), general disbursement checks (\$1.5 million), and payroll taxes (\$29 thousand) to amount to \$3.0 million in FY 2021.
- **FY 2022:** An estimate of the escheatment for FY 2022 is \$2.3 million based on historical averages.

## EXPENDITURES

### Personnel:

- **FY 2021:** Personnel expenses related to Salary and Wages are estimated to be \$1.4 million, based on direct-line staff, allocated support personnel, and statewide benefit adjustments.
- **FY 2022:** Personnel expense for FY 2021 is expected to be \$1.4 million, corresponding to our budget request submitted on October 1.

### Auditors:

- Audit firms are compensated based on the value of property remitted to the program and as such, these expenses are directly correlated to audit income. Regarding securities, the audit fee may be incurred up to a year prior to when revenue is recognized and remitted to the program. These estimates affect both the revenue to the program and the estimate of audit expense.
- **FY 2021:** Audit fees in FY 2021 are estimated at \$550 thousand. This increase over FY 2020 corresponds with our FY 2021 Budget request to add a fourth auditing firm.
- **FY 2022:** Audit fees in FY 2022 are estimated at \$600 thousand. This increase over FY 2021 is driven by a full year of activity with the fourth auditing firm.

### Other and Administrative Expense:

- **FY 2021:** Administrative expense and other expense are consolidated into a single line item, and includes information technology, mailing, advertising, and data validation services. The combined total is expected to be \$394 thousand which is within the FY 2021 Proposed Budget.
- **FY 2022:** The FY 2022 is estimated to be \$457 thousand, corresponding to our budget request.

### Claims:

- **FY 2021:** The estimate for claims expense in FY 2021 is \$12.9 million based on historical averages
- **FY 2022:** The estimate of \$13.0 million in claim expense for FY 2022 assumes continued success of the program in reuniting unclaimed property with owners and further implementation of automated efforts to return property through data matching.

## TRANSFER TO THE GENERAL FUND and YEAR END LIABILITY

- **FY 2021:** The projected surplus is calculated based on the revenues, expenditures, and claim liability expected in the fiscal year. The transfer to the general fund surplus for FY 2021 is estimated to be \$10.3 million versus \$9.0 million estimated in May 2020 REC.
- **FY 2022:** The transfer to the general fund surplus for FY 2022 is estimated to be \$11.3 million. The estimate is a function of the projected prior year carry forward, and refinements to revenues and expenditures described above.
- The liability holdback calculation is done at year-end and will be the greater of 25%, or the five-year average of the ratio of current-year claims paid out from previous year's revenues. For FY 2021 the estimated liability holdback is 32.73% and for FY 2022 the estimated liability holdback is 33.08% (see Worksheet A). The liability is adjusted through an expense to the program reflecting the change from the previous year's liability.

WORKSHEET B  
 Unclaimed Property - Transfer to General Fund Surplus  
 Office of the General Treasurer  
 PROJECTED REVENUES AND EXPENDITURES FOR NOVEMBER 2020 REVENUE ESTIMATING CONFERENCE

	FY2017 Complete	FY2018 Complete	FY19 Complete	FY20 FINAL (Pre-Audit)	FY2021 Estimate May-20	FY2021 Change May to Oct Oct-20	FY2021 Estimate Oct-20	FY2022 Estimate Oct-20
<b>Revenues:</b>								
Prior Year Carry Forward	\$ 7,060,234	\$ 6,612,463	\$ 7,362,999	\$ 8,536,920	\$ 7,478,449	\$ 88,360	\$ 7,566,809	\$ 8,747,726
Current Year Revenues:								
Special Audits	2,951,062	2,619,965	2,241,787	2,390,967	2,535,476	15,469	2,550,945	2,450,916
Stock Sale	5,038,297	4,908,776	5,853,049	3,004,863	4,661,666	(1,060,420)	3,601,246	4,341,983
Traditional Revenues	19,578,359	22,197,033	19,791,844	20,084,769	20,379,155	33,846	20,413,001	20,621,662
Departmental Escheat	1,617,673	1,847,742	2,532,278	1,758,418	1,939,028	1,069,972	3,009,000	2,286,859
Child Support	147,404	56,785	146,470	123,019	118,419	-	118,419	111,173
Auction Revenues								
<b>Total Current Year Revenue Received:</b>	<b>29,332,795</b>	<b>31,630,301</b>	<b>30,565,428</b>	<b>27,362,035</b>	<b>29,633,745</b>	<b>58,868</b>	<b>29,692,612</b>	<b>29,812,594</b>
Revenue Offsets								
Less Indirect Cost Recoveries	2,927,809	3,163,437	3,056,543	2,680,026	2,963,374	5,887	2,969,261	2,981,259
Revenue Transfers for Centralized Services	54,702	4,074						
<b>Total Revenue Offsets:</b>	<b>2,982,511</b>	<b>3,167,511</b>	<b>3,056,543</b>	<b>2,680,026</b>	<b>2,963,374</b>	<b>5,887</b>	<b>2,969,261</b>	<b>2,981,259</b>
<b>Net Current Year Revenues:</b>	<b>26,350,284</b>	<b>28,462,789</b>	<b>27,508,885</b>	<b>24,682,009</b>	<b>26,670,370</b>	<b>52,981</b>	<b>26,723,351</b>	<b>26,831,335</b>
<b>Total Revenues</b>	<b>\$ 33,410,518</b>	<b>\$ 35,075,252</b>	<b>\$ 34,871,884</b>	<b>\$ 33,218,929</b>	<b>\$ 34,148,819</b>	<b>\$ 141,341</b>	<b>\$ 34,290,160</b>	<b>\$ 35,579,060</b>
<b>Expenditures:</b>								
Personnel								
Payroll	1,148,775	1,187,659	1,201,057	1,288,879	1,390,564	(15,324)	1,375,240	1,375,768
Auditors	371,987	627,041	370,910	400,814	600,000	(50,000)	550,000	600,000
Centralized Services (Revenue Transfer Pre-2018)	40,112	53,239						
Other	1,560,874	1,891,963	1,571,967	1,689,693	1,990,564	(65,324)	1,925,240	1,975,768
Personnel Total	156,952	162,910	180,876	481,475	360,359	34,103	394,462	457,462
Administrative Expenses	12,355,204	14,747,256	13,003,517	11,400,233	14,000,000	(1,123,447)	12,876,553	13,006,890
Claims Paid								
<b>Sub-total Operating Expenditures</b>	<b>14,073,030</b>	<b>16,802,129</b>	<b>14,756,360</b>	<b>13,571,401</b>	<b>16,350,923</b>	<b>(1,154,668)</b>	<b>15,196,255</b>	<b>15,440,120</b>
Transfer to surplus (Tot.Rev less Opr. & Liability)								
Year End Liability (GASB 21)**	<b>12,725,026</b>	<b>10,910,124</b>	<b>11,578,604</b>	<b>12,080,719</b>	<b>9,003,432</b>	<b>1,342,747</b>	<b>10,346,180</b>	<b>11,262,711</b>
Year End Change in Liability (not included in Total Expenditure below)	6,612,463	7,362,999	8,536,920	7,566,809	8,794,464	(46,738)	8,747,726	8,876,230
	(447,771)	750,536	1,173,921	(970,111)	1,316,015	(135,098)	1,180,917	128,504
<b>Total Expenditures-Including GASB 21</b>	<b>\$ 33,410,519</b>	<b>\$ 35,075,253</b>	<b>\$ 34,871,884</b>	<b>\$ 33,218,929</b>	<b>\$ 34,148,819</b>	<b>\$ 141,341</b>	<b>\$ 34,290,160</b>	<b>\$ 35,579,060</b>

**WORKSHEET A**  
**Unclaimed Property - GASB 21 Claim Liability Calculation**  
**Office of the General Treasurer**  
**Revenue Estimating Conference - November 2020**

1	2	3	4	5	6	7	8	9
<b>FY</b>	<b>PREV YR NET REV</b>	<b>BALANCE FORWARD</b>	<b>TOTAL CLAIMS</b>	<b>BAL FOR / CLAIMS %</b>	<b>CLAIMS (OLD) JUL TO MAR</b>	<b>CLAIMS/ BAL FOR %</b>	<b>CLAIMS (NEW) APR TO JUN</b>	<b>OLD CLAIMS / PREV YR REV %</b>
2009	\$28,254,631	\$7,063,658	\$8,462,512	83%	\$5,133,418	73%	\$3,329,094	18.17%
2010	\$14,338,192	\$3,584,548	\$8,540,855	42%	\$5,535,973	154%	\$3,004,882	38.61%
2011	\$16,409,162	\$4,430,474	\$7,808,124	57%	\$4,720,830	107%	\$3,087,294	28.77%
2012	\$17,047,480	\$4,665,895	\$7,984,255	58%	\$5,695,904	122%	\$2,288,351	33.41%
2013	\$28,011,241	\$8,334,641	\$25,394,886	33%	\$6,066,657	73%	\$19,328,229	21.66%
2014	\$31,187,291	\$6,333,042	\$9,007,918	70%	\$5,776,447	91%	\$3,231,472	18.52%
2015	\$23,504,945	\$6,627,040	\$10,003,201	66%	\$7,257,900	110%	\$2,745,301	30.88%
2016	\$25,371,701	\$6,761,020	\$11,607,078	58%	\$5,903,548	87%	\$5,703,531	23.27%
2017	\$27,635,572	\$7,060,234	\$12,355,204	57%	\$8,607,363	122%	\$3,747,841	31.15%
2018	\$26,350,284	\$6,612,463	\$14,747,256	45%	\$10,517,752	159%	\$4,229,504	39.92%
2019	\$28,462,789	\$7,362,999	\$13,003,517	57%	\$8,527,189	116%	\$4,476,328	29.96%
2020	\$27,508,885	\$8,536,920	\$11,400,233	75%	\$7,976,892	93%	\$3,423,341	29.00%
2021	\$24,682,009	\$7,566,809	\$14,000,000	54%	\$8,306,549	110%	\$5,693,451	33.65%
2022	\$26,723,351	\$8,747,726	\$13,006,890	67%	\$8,787,149	100%	\$4,219,741	32.88%

<b>5 Year Average</b>	
<b>FY 2021</b>	<b>32.73%</b>
<b>FY 2022</b>	<b>33.08%</b>

**Column**

2 THIS IS THE REVENUE RECEIVED THE PREVIOUS YEAR. (e.g. 2011 IS THE REVENUE RECEIVED IN 2010) THE BUDGET YEAR USING THE THE PROJECTIONS CALCULATED FOR THE REVISED YEAR ON WORKSHEET B.

3 BALANCE FORWARD (3) IS THE PREVIOUS YEARS LIABILITY HOLDBACK

4 TOTAL CLAIMS PAID FOR THE FULL FISCAL YEAR (COL 6 and 8). CURRENT AND FUTURE YEARS ARE BASED ON 5 YEAR AVERAGE, OR OTHER KNOWLEDGE REGARDING INCREASE/DECREASE IN CLAIMS ACTIVITY.

5 BALANCE FORWARD (3) AS A PERCENTAGE OF CLAIMS (4)

6 CLAIMS PAID FROM 7/1 TO 3/31. IT IS ASSUMED THAT THESE CLAIMS ARE MOSTLY FROM MONIES COLLECTED IN PRIOR FY

7 PERCENTAGE OF OLD CLAIMS (6) TO THE BALANCE FORWARD (3).

8 CLAIMS PAID FROM 4/1 TO 6/30. IT IS ASSUMED THAT THESE CLAIMS ARE MOSTLY FROM MONIES COLLECTED IN CURRENT FY

9 PERCENTAGE OF OLD CLAIMS (6) TO PREVIOUS YEARS REVENUE (2)