



State of Rhode Island  
Office of the General Treasurer

**Seth Magaziner**  
General Treasurer

**2022 May Revenue Estimating Conference**

**April 29, 2022**

**Testimony Notes**

**UNCLAIMED PROPERTY PROGRAM**

*Office of the General Treasurer Seth Magaziner*

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**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 auditor's 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 2022:** The special audit estimate for FY 2022 of \$2.8 million is based on current collections and forecasts provided by the program's auditors.
- **FY 2023:** The estimate for FY 2023 is \$3.0 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 2022:** The program estimates revenues of \$3.4 million in FY 2022.
- **FY 2023:** The program is anticipating \$4.3 million in revenues for stock conversion in FY 2023.

**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 2022:** The program estimates \$23.7 million in traditional revenues for FY 2022.
- **FY 2023:** The program projects \$21.1 million in traditional revenue based on previous years 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.
- **FY 2022:** Treasury has estimated the escheatment for appropriately aged taxation checks, general disbursement checks, and payroll taxes to amount to \$2.2 million.
- **FY 2023:** An estimate of the escheatment for FY 2023 is \$2.3 million based on historical averages.

**TOTAL CURRENT NET REVENUES**

- **FY 2022:** The program estimates \$29.0 million or \$2.1 million higher than projected at the November 2021 Revenue Estimating Conference.
- **FY 2023:** The program estimates \$27.9 million or \$0.9 million higher than projected at the November 2021 Revenue Estimating Conference.

## EXPENDITURES

### Personnel:

- **FY 2022:** Personnel expenses related to Salary and Wages are estimated to be \$1.4 million, based on direct-line staff, allocated support personnel, and statewide employee benefits.
- **FY 2023:** Personnel expense for FY 2023 is expected to be \$1.4 million, corresponding to our FY 2023 budget request.

### 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 2022:** Audit fees in FY 2022 are estimated at \$650 thousand.
- **FY 2023:** Audit fees in FY 2023 are estimated at \$600 thousand and corresponds with our FY 2023 Budget request.

### Other and Administrative Expense:

- **FY 2022:** 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 expenditure is expected to be \$375 thousand and assumes in person outreach events, mailings, and advertising returns to normal levels.
- **FY 2023:** The FY 2023 Administrative expense is estimated to be \$460 thousand, corresponding to our budget request.

### Claims:

- **FY 2022:** The estimate for claims expense in FY 2022 is \$13.0 million based on current and expected claims.
- **FY 2023:** The estimate of \$13.0 million in claim expense for FY 2023 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 2022:** 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 2022 is estimated to be \$16.1 million or \$1.8 million higher than projected at the November 2021 Revenue Estimating Conference.
- **FY 2023:** The transfer to the general fund surplus for FY 2023 is estimated to be \$13.1 million or \$1.3 million higher than projected at the November 2021 Revenue Estimating Conference. The estimate is a function of the projected prior year carry forward and the expected 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 2022 the estimated liability holdback is 31.88% and for FY 2023 the estimated liability 30.08%; see Worksheet A). The liability is adjusted through an expense to the program reflecting the change from the previous year's liability.