



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

2023 November Revenue Estimating Conference

November 1, 2023

Testimony Notes

UNCLAIMED PROPERTY PROGRAM

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REVENUES

Special Audits:

- o 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.
- o **FY 2024:** The special audit estimate for FY 2024 of \$2.7 million is based on current collections and forecasts provided by the program's auditors.
- o **FY 2025:** The estimate for FY 2025 is \$2.9 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 any time throughout the year if related to a claim.
- **FY 2024:** The program estimates \$2.8 million in stock sales for FY 2024.
- **FY 2025:** The program is anticipating \$2.8 million in revenue for stock sales in FY 2025 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 2024:** The program estimates \$27.3 million in traditional revenues for FY 2024.
- **FY 2025:** The program projects \$28.9 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 2024:** Treasury has estimated the escheatment for appropriately aged taxation checks, general disbursement checks, and payroll taxes to be \$2.8 million.
- **FY 2025:** An estimate of the escheatment for FY 2025 is \$3.0 million based on historical averages.

TOTAL CURRENT NET REVENUES

- **FY 2024:** The program estimates \$32.2 million net of cost recoveries in FY2024.
- **FY 2025:** The program estimates \$34.0 million of Net Revenue for FY 2025.

EXPENDITURES

Personnel:

- **FY 2024:** Personnel expenses related to Salary and Wages are estimated to be \$1.7 million, based on direct-line staff, allocated support personnel, and statewide employee benefits.
- **FY 2025:** Personnel expenses for FY 2025 are expected to be \$1.8 million, corresponding to our FY 2025 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 the program's income.
- **FY 2024:** Audit fees in FY 2024 are estimated at \$880 thousand.
- **FY 2025:** Audit fees in FY 2025 are estimated at \$1.0 million as new audit engagements are anticipated to bring in increased revenues.

Administrative Expense:

- **FY 2024:** Administrative expenses are consolidated into a single line item, and includes information technology, mailing, advertising, data validation services, and outreach activities. The combined total expenditure is expected to be \$210 thousand.
- **FY 2025:** The FY 2025 Administrative expense is estimated to be \$297 thousand, corresponding to our budget request.

Claims:

- **FY 2024:** The estimate for claims expense in FY 2024 is \$14.2 million based on current and expected claims.
- **FY 2025:** The estimate of \$14.2 million in claim expense for FY 2025 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 2024:** 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 2024 is estimated to be \$16.2 million.
- **FY 2025:** The transfer to the general fund surplus for FY 2025 is estimated to be \$16.3 million. 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 2024 the estimated liability holdback is 29.95% and for FY 2025 the estimated liability is 29.66% (see Worksheet A). The liability is adjusted through an expense to the program reflecting the change from the previous year's liability.