

MAINE STATE LEGISLATURE

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Program Evaluation Report

Part I



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November 1, 2007

Office of the State Treasurer

Program Evaluation Report

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Executive Summary

Treasurer of State – A Constitutionally Established Office

The Office of the Treasurer of State is established in Article V, Part Third of the Constitution of the State of Maine. The position is filled biennially, at the first session of the Legislature, by joint ballot of the Senators and Representatives in convention, with a limit of four consecutive terms in office. Once elected, Treasurers are constitutionally prohibited from engaging in any business of trade, commerce, brokerage, or of agency for any merchant or trader. The Treasurer, as are all candidates for Treasurer, is barred from involvement with any political action committee.

Vacancy, Succession, Absence and Disability

In the event that the Office of State Treasurer becomes vacant, and whenever the Treasurer is absent or is disabled from performing the obligations of the office, the Deputy Treasurer of State acts as the Treasurer until a new Treasurer is elected by the Legislature. In practice, the Deputy Treasurer regularly acts as the Treasurer at board meetings as scheduling conflicts arise amongst the many boards upon which the Treasurer sits as an ex officio member. In those situations, the Treasurer will cover one board while the Deputy Treasurer covers another.

Organizational Structure, Management and Staffing

The Office of the State Treasurer has sixteen (16) employees, down from nineteen (19) just three years ago and the lowest level since 1986. These employees are arranged in four work clusters with broadly similar responsibilities and with moderately flexible schedules. Each work cluster must have someone available to answer inquiries between 8:00 a.m. and 5:00 p.m. every business day. Cross-training and a willingness by employees to help as needed in areas outside their normal tasks has been critical to achieving the combined goals of increased office efficiency and individual work-day flexibility.

Management functions have been divided into two areas roughly described as internal and external operations. External operations include investment strategies, trust administration, banking and underwriting relationships, bond counsel coordination, rating agency relationships, board service, legislative and gubernatorial affairs, and debt management policy with accompanying publications and projections. These duties are shared by the Treasurer and Deputy Treasurer with minimal support from other Treasury employees. Internal operations include management of personnel, office structure, accounting practices, budgeting and planning, controls and security, cash management systems and unclaimed property systems. These duties are shared by the Treasurer and the Director of Internal Treasury Operations, with additional help from the Assistant Director of Internal Operations.

Staffing is governed by state law. No Treasury employees serve at the pleasure of the Treasurer. Four positions, Deputy Treasurer, Director of Internal Operations, Assistant Director of Internal Operations and Director of Special Projects may be hired directly by the Treasurer if the position opens. Other staff openings are filled from civil service lists provided through the State's Bureau of Human Resources.

Workforce stability is important. The longest serving employee at the State Treasurer's office has worked at the office for 31 years. Excluding the Treasurer, the median length of service for Treasury employees is 7.75 years.



Duties

The four core duties of the Treasurer's Office are debt management, cash management, trust fund administration and unclaimed property administration. Other major tasks assigned to the Treasurer are directorships on many of Maine's quasi-governmental debt issuing agencies, administration of the Municipal Revenue Sharing Program and administration of certain Financial Literacy efforts. These seven duties may be summarized as follows:

- ① **Cash Management:** Providing centralized cash collection processes, cash management, and coordination of banking services for all state agencies; Actively investing cash reserves to generate earnings; Reconciling bank records with the accounting records of the State; Providing revenue projections on cash pool earnings and tobacco settlement fund payments.
- ② **Debt Management:** Managing the issuance of both Bond Anticipation Notes (BANs) and Bonds; Assuring timely debt payments; Managing credit rating agency relationships; Collecting and publishing state debt statistics; Providing debt service projections for legislative and executive budgeting efforts; Preparing the Treasurer's Statement for publication on ballots whenever general obligation debt proposals are sent out to voters; Determining annually the need for Tax Anticipation Notes (TANs), Lines of Credit, (LOCs) or other short-term debt vehicles to cover cash flow needs within a fiscal year; Arranging for short-term debt if necessary; and Coordinating with cash pool management to maximize cash pool support for General Fund cash flow needs as an alternative to issuing debt.
- ③ **Unclaimed Property Administration:** Collecting unclaimed financial assets held by Maine entities and companies doing business in Maine; Cataloging and preserving those assets; Arranging for the annual newspaper advertisement of new properties and for legislative outreach to claimants in each legislative district; Maintaining a permanent record of all received properties; Developing and supporting easy claim-making processes that are available via the internet, telephone, telefax and mail; Processing claims made by rightful owners; and educating holders on Maine's unclaimed property law.
- ④ **State-Held Trust Administration:** Managing the investments, records and distribution of assets held in trust by the State of Maine pursuant to the terms of nearly eighty (80) active state-held trusts with an aggregate value of approximately \$25.5 million; Engaging and overseeing independent investment advisors to professionally manage the funds; Allocating investment earnings amongst the beneficiaries pursuant to the directive of each separate trust.
- ⑤ **Directorships:** The Treasurer is a voting member on the board of the Maine Public Employees Retirement System, (MainePERS), the Finance Authority of Maine, (FAME), the Maine State Housing Authority, (MaineHousing), the Maine Educational Loan Authority, (MELA), the Maine Municipal Bond Bank, (MMBB), the Adaptive Equipment Loan Board, (AELB), the Maine Health and Higher Education Facilities Authority, (MHEFA), the Maine Governmental Facilities Authority, (MGFA), the Lifelong Learning Accounts Committee, (LILA), the NextGen College Investment Plan Investment Advisory Committee, and is a non voting member of the Dirigo Health Board. *Note: the capacity of the Deputy Treasurer to participate at board meetings as a voting substitute for the Treasurer has been critical to meaningful Treasury participation on these boards.*
- ⑥ **Municipal Revenue Sharing:** Accepting the transfer of 5.1% of all state income, sales and corporate tax revenues received each month into the Revenue Sharing account. Calculating the pro-rata share for each of the 494 municipalities and distributing those funds by the 20th day of



the following month; maintaining the historical record of payments issued; providing projections and sharing information in response to written, phone, and website requests.

- ⑦ **Financial Literacy:** Managing the Treasurer's Council on Financial Literacy, which disburses up to \$50,000 per year in a competitively awarded matching grants focused on improving the personal financial skills of Maine residents, especially students. Organizing a November, 2007 seminar for teachers on teaching financial literacy.

Putting classes on-line to be viewed or downloaded

Long-term Trends and Challenges

Computerization: The uses of powerful computing systems, sophisticated programming and the ready transfer of data electronically have reshaped financial operations everywhere, including within the State Treasury. Accounting departments that once required dozens of workers are now reduced to a few highly-skilled employees with computers and contracts on their desks. Transaction documents have migrated from paper to electronic payment methods. Sustaining top-level computer hardware, software and electronic transaction capacities on par with financial industry standards will be a major challenge for future Treasury budgets.

Document Storage: A second long-term trend is the increasing volume of records that must be stored and maintained. The diminishing paper-holding capacity of the State Archives operation and the extremely limited Cross Office Building (COB) storage capacity have created an impending problem for Treasury record storage. This should be addressed substantially through adoption of a scanning operation that will allow destruction of most paper while permanently retaining its image. However, the storage costs for that electronic information will increase our costs over time compared to the free service now provided through Archives.

Outsourcing: The ever-increasing complexity of financial management systems, combined with the reality of scarce state resources, presents another critical trend. We now engage and oversee several private entities that provide the state with banking services, trust fund investment management, bond underwriting services, legal counsel for bond issuances, audits for unclaimed property reports, custodianships for unclaimed property assets and information technology. Creating strong procedures and continually allocating Treasury staff time and resources sufficient to "manage the managers" will be an ongoing challenge under this outsourcing approach to governance.

Employee Compensation: The integrity of a "managing the managers" approach to outsourced governance rests on the knowledge, skills, judgment and honesty of the civil servants who remain in the civil service system. Compensation and perquisites sufficient to respect the skills of those civil servants will remain as a challenging goal in the Treasurer's Office. Retaining rough parity with other executive branch agencies is also important, so that the Treasurer's office is able to retain within its independent operations a nucleus of skilled and experienced professionals.



A. Enabling and Authorizing Law Citations with Synopses

MAINE CONSTITUTION

Article V, Part Third

Establishes the Office of State Treasurer and establishes election biennially by joint action of Senate and House; Provides for succession in the event of vacancy; Creates a surety bond requirement; Prohibits engaging in any business activity outside of the office; Prevents drawing Treasury funds for any reason other than for appropriations or allocations authorized by law; and Bars the use of bond proceeds for paying current expenditures.

REVISED MAINE STATUTES

3 M.R.S.A. § 162-B - Salary of Treasurer of State

The Treasurer of State shall be within salary range 88, but shall not be less than Step C in that range.

3 M.R.S.A. § 959 - Scheduling guideline for review of Office of the State Treasurer

The joint standing committee of the Legislature having jurisdiction over state and local government matters shall review the performance of the Office of the State Treasurer in 2007.

4 M.R.S.A. § 163 - Judicial Receipts

All court revenues not specifically provided for accrue to the state. The Treasurer of State on a monthly basis, shall credit them to the General Fund.

4 M.R.S.A. § 1602 - Maine Governmental Facilities Authority; members; compensation

The Treasurer serves as an ex-officio voting member of the Maine Governmental Facilities Authority.

5 M.R.S.A. § 18 - Disqualification from participation in certain matters

The Treasurer of State commits a civil violation if, in official capacity, he participates in any proceeding which, to his knowledge, any of the following have a direct and substantial financial interest:

- The Treasurer, his spouse, or dependent children
- Partners
- A person or organization with whom the Treasurer is negotiating or has agreed to an arrangement concerning prospective employment
- An organization in which the Treasurer has a direct and substantial financial interest
- Any person with whom the Treasurer has been associated as a partner or a fellow shareholder in a professional service corporation in the preceding year

In addition, the Treasurer commits a civil violation if he participates in the legislative process while in official capacity concerning any legislation in which any person described above has any direct and substantial financial interest unless the Treasurer discloses that interest at the time of his participation.

The Treasurer will work to avoid the appearance of a conflict of interest by disclosure or by abstention. "Conflict of interest" includes receiving remuneration, other than reimbursement for reasonable travel expenses, for performing functions that a reasonable person would expect to perform as part of that person's official responsibility as Treasurer of State.

5 M.R.S.A. § 19 - Financial disclosure by Treasurer

The Treasurer must disclose all sources of income from the full calendar year prior to election to Office within 30 days of election. The Treasurer commits a civil violation if he or she does not submit the report, which is a public record. Liabilities incurred in office must be reported.



5 M.R.S.A. § 121 - Office; bond; salary; deputy; fees

The Treasurer will keep office at the seat of government and will give the bond required in the Constitution. The Treasurer may not receive any other fee, emolument or perquisite in addition to salary. The chief clerk in the office of the Treasurer of State is the "deputy treasurer of state" and assumes the role of Treasurer in the case of vacancy.

5 M.R.S.A. § 121-A - Transition period

The Treasurer takes oath of office after 30 days of his election.

5 M.R.S.A. § 122 - Conditions of bond; filing

The Treasurer's bond is for the faithful discharge of all the duties of his office, and assures that during the Treasurer's continuance in office he will not engage in trade or commerce, nor act as broker, agent or factor for any merchant or trader, and that he will produce a just and true account of his office's transactions when required, including to his successor.

5 M.R.S.A. § 123 - Bond premiums to be paid by state

The premiums for the bond given by the Treasurer of State shall be paid out of the State Treasury.

5 M.R.S.A. § 124 - Governor may require a new bond

The Governor may require a new bond when it appears to the Governor that the Treasurer of State's bond is not sufficient for the full security of the State.

5 M.R.S.A. § 125 - Personal use or receipt of state money credit prohibited

The Treasurer may not use money or credit from the Treasury for personal use.

5 M.R.S.A. § 126 - Attorney General to prosecute violations

The Attorney General is authorized to prosecute the Treasurer for violations.

5 M.R.S.A. § 127 - Removal from Office

The Governor may remove the Treasurer from office if found to be mentally ill or insolvent, or has absconded or concealed himself to avoid creditors, or is absent from the State and neglecting his duties to the hazard of the trust reposed in him, or has violated any provision regarding the personal use of state funds, or has failed faithfully to perform the duties of the Treasurer.

5 M.R.S.A. § 129 - Inventory

The State Auditor will take inventory of all moneys, notes, books of account and other property belonging to the State for the deputy treasurer whenever the deputy assumes the role of Treasurer.

5 M.R.S.A. § 130 - Payment of receipts to State Treasury

The Treasurer collects receipts of payments to the State and transmits those receipts daily to the State Controller. Any person who makes payment of an amount due to any state department, agency, board, commission, authority or other state entity is liable, if the payment fails as a result of insufficient funds, a closed account, no account or a similar reason, for a penalty of \$20, which must be reported and paid to the Treasurer of State as undedicated revenue to the General Fund.

5 M.R.S.A. § 131 - Departmental collections

Every department and agency of the State, wherever located, shall deposit state revenues into the State Treasury without any deductions, except that the Bureau of Parks and Lands shall be allowed to refund daily use and camping fees based on the Bureau of Parks and Lands standard refund policies. Every department or agency shall send to the Treasurer of State a statement of the deposits certified by the bank receiving it.

5 M.R.S.A. § 131-A - Payment priority

Payments made for Temporary Assistance for Needy Families (TANF) and for foster care have priority over other payments and must be made without delay, and the Treasurer must cooperate with other state agencies to achieve this result.

5 M.R.S.A. § 131-B - Interfund transfers

State obligations may be paid as they come due, and the State Treasurer may request the State Controller to reallocate various funds in the cash pool of State Government in order to best manage available funds to meet obligations.



5 M.R.S.A. § 133 - Payments to be withheld and applied to accounts

If any town or county unreasonably fails to pay its bill to any state agency, the Treasurer of State may withhold and apply to the outstanding bill any state payments owed to the town or county.

5 M.R.S.A. § 134 - Money in depositories

All state money in any depository of the State Government shall stand on its books to the credit of the State. The Treasurer shall not withdraw any monies except upon the authority of the State Controller.

5 M.R.S.A. § 135 - Deposit of state funds; limitations

The Treasurer of State may deposit state funds in financial institutions organized under Maine law. Limits are set of these deposits, including deposits only with institutions with favorable ratings. When there is excess money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may invest those funds through competitive bids. Up to \$8,000,000 in linked investment agreements may be used to provide short-term low interest commercial and agricultural loans.

5 M.R.S.A. § 135-A - Special Revenue Accounts

Trust and escrow accounts are allowed only upon a finding by the Treasurer that compelling and documented reasons support the establishment of such an account. Trusts for named beneficiaries and for the Baxter State Park Authority may be established without compelling and documented reasons.

5 M.R.S.A. § 136 - Monthly exhibits

At the expiration of each month, the Treasurer shall prepare an exhibit showing the banks and places in which moneys of the State have been kept or deposited during the preceding month, and the amounts kept or deposited.

5 M.R.S.A. § 137 - Purchase of unmature Maine bonds

The Treasurer may use state funds to purchase unmatured bonds of the State.

5 M.R.S.A. § 138 - Custody and servicing of State Held Trusts

Funds held in trust by the State may be invested in such securities as are legal investments for savings banks. Each trust fund must be maintained separately. The Treasurer has the power to enter into contracts approved by the Governor with any national bank, trust company or safe deposit company located in New England or New York City for the custodial care and servicing of the securities belonging to the permanent trust funds of this State. The Treasurer is empowered to arrange for the payment for such services, either by cash payments to be charged pro rata to the income of such trust funds, or by an agreement for a compensating deposit balance with the bank in question, in lieu of such cash payment, or by some combination of both methods of payment. The Treasurer of State is empowered to withdraw or deposit securities.

5 M.R.S.A. § 139 - Disposal of money and securities for the Lands Reserved Trust

The Treasurer of State shall invest and reinvest the principal of all funds derived from the sale or lease of lands reserved for public uses.

5 M.R.S.A. § 139-A - Deposit of Guaranty funds

The Treasurer has the power to enter into contracts with any national bank, trust company or safe deposit company located in New England or New York City, for custodial care and servicing of securities deposited with the treasurer as a guaranty fund required by statutes.

5 M.R.S.A. § 142 - Investment of sinking funds

This states that funds appropriated for any sinking funds will be invested by the Treasurer in the bonds of Maine, of any other New England state or in the bonds of the United States.

5 M.R.S.A. § 143 - Register of investments and State Treasurer's report

The Treasurer of State shall keep a register of all sinking fund investments, showing the date, amount and number of each bond, by whom it was issued and the time when it will mature.



5 M.R.S.A. § 144 - Form of unregistered bonds

Unregistered state bonds must bear the signature, or the facsimile of the signature, of the Governor, and must be signed by the Treasurer of State or the Treasurer of State's deputy. The seal of the State may be a facsimile.

5 M.R.S.A. §145 - Registered bonds

The Treasurer may issue registered bonds in pieces of not less than \$1,000, and of any multiple of 1,000, in exchange for, and in place of, any coupon bonds issued under the laws of this State, bearing the same rate of interest and maturing at the same time as the bonds that the Treasurer may receive in exchange.

5 M.R.S.A. § 145-A - Minibonds

The Treasurer may issue bonds in denominations of less than \$5000, but not more than \$1,000,000 in minibonds shall be sold in any one fiscal year and no minibond shall mature more than 5 years after its date. No one sale to a purchaser of minibonds shall be in an aggregate principal amount equal to or greater than \$5,000, and each minibond shall be redeemable upon due presentation at such price as the Treasurer shall have determined prior to sale.

5 M.R.S.A. § 145-B - Issuance of registered bonds

- 1. Issuance.** The Treasurer may issue the bonds in registered form.
- 2. Signatures.** Registered bonds must bear the facsimile signatures of the Governor and the Treasurer or Deputy Treasurer, and must be attested by the facsimile signature of the Commissioner of the Department of Administrative and Financial Services or such agent as the commissioner may designate. Whenever signatures on registered bonds of other state officials are required, their facsimile signatures may be used.
- 3. Seal.** The seal of the State on registered bonds may be by facsimile.
- 4. Agents.** The Treasurer of State may appoint, for such terms as may be agreed upon, including for as long as a registered bond may be outstanding, corporate or other authenticity, agents, transfer agents, registrars, paying or other agents, and specify the terms of their appointments, including their rights, compensation and duties. None of the agents need have an office or do business within this State.
- 5. Storage and transfer.** The Treasurer may make agreements with custodial banks and financial intermediaries for the storage of transferable certificates and the transfer of registered bonds.

5 M.R.S.A. § 145-C - College Savings Bonds

General obligation bonds issued after July 30, 1991 may be issued and sold by the Treasurer of State as college savings bonds. An advisory committee on college savings bonds is established to advise the Treasurer. The bonds may be sold by competitive or negotiated sale and may be issued in certificate or book entry form in face amounts as low as \$1,000.

5 M.R.S.A. § 146 - Equivalent bond to be issued on assignment

Upon assignment and delivery of any registered bond to the Treasurer, an equivalent substitute bond shall be issued to the assignee.

5 M.R.S.A. § 147 - Cancellation and registry of old bonds

All bonds received by the Treasurer of State for exchange must be canceled and retained.

5 M.R.S.A. § 148 - Cremation of old bonds

The Treasurer may cremate any state bonds and coupons that have matured and have been paid after the paid certification has been received by the Treasurer and the State Auditor. A cremation certificate must be filed in the office of the Treasurer.

5 M.R.S.A. § 149 - Signature of outgoing Treasurer of State valid

The facsimile signature of the Treasurer leaving office shall be valid until signature plates have been obtained for the new Treasurer.



5 M.R.S.A. § 150 - Bond Anticipation Notes

The Treasurer may negotiate temporary loans in anticipation of the issuance of bonds authorized but not yet issued. Such temporary loans shall be repaid from bond proceeds within one year from the date of the loan.

5 M.R.S.A. § 150-A - Short term transportation debt.

The Treasurer may negotiate temporary loans in anticipation of the receipt of federal transportation funds.

5 M.R.S.A. § 151 - Funds of professional licensing boards

All money received by the Treasurer from professional licensing boards constitutes a fund for each board, which is a continuous carrying account for the payment of the compensation and expenses of the members and the expenses of the board and for executing the law relating to each board and as much of the fund as may be required is appropriated for these purposes.

5 M.R.S.A. § 151-A - Income from temporary investment of bonds

Net income from the temporary investment of bond proceeds on General Fund bond issues is credited to the Debt Service Account and may be used only for the retirement of bonds and notes.

5 M.R.S.A. § 152 - Treasurer's Ballot Statement

The Treasurer of State shall prepare a signed statement to accompany any bond issue submitted to the electors setting forth the total amount of bonds of the State outstanding and unpaid, the total amount of bonds of the State authorized and unissued and the total amount of bonds of the State contemplated to be issued if the enactment submitted to the electors should be ratified. The Treasurer shall also set forth in that statement an estimate of costs involved, including an explanation of, based on such factors as interest rates which may vary, the interest cost contemplated to be paid on the amount to be issued, the total cost of principal and interest that will be paid at maturity and any other substantive explanatory information relating to the debt of the State as he may deem appropriate.

5 M.R.S.A. § 153 - Rules

The Treasurer of State may adopt and amend rules necessary to carry out Title 5 statutes.

5 M.R.S.A. § 154 - Maine Military Authority

The State Controller may establish an account within Other Special Revenue funds for the Treasurer to recover the cost of providing administrative services to the Maine Military Authority.

5 M.R.S.A. § 200-C - State Fraud Division

The Office of the State Treasurer, as with all other state agencies, must cooperate with the fraud division of the Attorney General's office in the case of a fraud investigation.

5 M.R.S.A. § 286-B - Irrevocable Trust Fund

The Treasurer serves as a trustee of the Irrevocable Trust Fund.

5 M.R.S.A. § 1514 - Tax Adjustment Reserve Fund

The Treasurer shall invest funds transferred to the Tax Adjustment Reserve Fund and credit the fund with its earnings.

5 M.R.S.A. § 1543 - Disbursements; exceptions

Money may not be drawn from the State Treasury except in accordance with appropriations duly authorized by law. Every disbursement from the State Treasury must be upon the authorization of the State Controller and the Treasurer of State, as evidenced by their facsimile signatures, except that the Treasurer of State may authorize interbank and intrabank transfers for purposes of pooled investments. Disbursements must be in the form of a check or an electronic transfer of funds against a designated bank or trust company acting as a depository of the State Government.

The State Controller and the Treasurer of State are authorized to issue rules, policies or procedures to limit the number of disbursements made for less than \$5.

5 M.R.S.A. § 17102 - Board of Trustees

The Treasurer serves as a trustee of the Maine State Retirement System.



5 M.R.S.A. § 17154 - Administration of State Retirement System Funds

The Treasurer of State shall be the custodian of the funds of the retirement system. Upon receipt of vouchers signed by persons designated by the board, the State Controller shall draw a warrant on the Treasurer of State for the amount authorized.

5 M.R.S.A. § 19005 - Social Security Contribution Fund

The Treasurer shall be ex officio treasurer and custodian of the Contribution Fund for extending the benefits of the Federal Old Age and Survivors Insurance System to employees of any political subdivision of the State and to the civilian employees of the Maine National Guard.

7 M.R.S.A. § 1332 - Animal Industry Fund

The Treasurer must establish a separate non-lapsing account known as the Animal Industry Fund.

8 M.R.S.A. § 386 - State Lottery Fund

State Lottery Funds shall be deposited where the Treasurer directs.

9-B M.R.S.A. § 226 - Confidential Financial Institution Information

The Treasurer is authorized to receive confidential information from the superintendent of financial institutions.

10 M.R.S.A. § 363 - Allocation of state ceiling

The Treasurer must be allotted a portion of the State's tax-exempt bond capacity, but may reallocate that share to other bonds.

10 M.R.S.A. § 373 - Board

The Treasurer serves as a member of the Kim Wallace Adaptive Equipment Loan Program Board.

10 M.R.S.A. § 965 - Membership, Finance Authority of Maine

This states that the Treasurer serves as a director on the FAME board.

12 M.R.S.A. § 8426 - Spruce Budworm Management Funding

The Treasurer may negotiate a temporary loan in anticipation of excise taxes to be raised by the program during the same fiscal year.

13 M.R.S.A. § 3169 - Administration of municipal ministerial and school funds

Ministerial and school funds held in trust by any town may be turned over to the Treasurer and that the Treasurer shall then administer the funds.

14 M.R.S.A § 1 - Treasurer may bring action in own name

The Treasurer may maintain civil actions in his own name on contracts given to him or his predecessors and prosecute civil actions pending in the name of his predecessors.

18 M.R.S.A. § 1655 - Unclaimed property of a publicly administered estate

When there is in the hands of a public administrator an amount of money more than is necessary for the payment of the deceased's debts and for other purposes of administration, and if no widow, widower or heirs of the deceased have been discovered, the administrator must be required by the judge to deposit the property with the Treasurer of State.

20-A M.R.S.A §11415 - Maine Educational Loan Authority

The Treasurer serves as an ex-officio member of the Maine Educational Loan Authority.

21-A M.R.S.A §1063 - Political Action Committees

The Treasurer may not form a political action committee nor be involved in decision making for nor solicit contributions to a political action committee.

22 M.R.S.A. § 2054 - Health Facilities Authority

The Treasurer serves as an ex-officio member of the Health and Higher Education Facilities Authority.



22 M.R.S.A. § 2076 - Authority to intercept federal and state aid

When an entity eligible to use the Health Facilities Authority is in default, the Treasurer shall withhold any funds that are due or payable to said entity until the amount has been paid to the authority or arrangements made. If the authority notifies the Treasurer in writing that no arrangements are satisfactory, the Treasurer of State shall deposit in the General Fund and make available to the authority any funds withheld from the eligible entity under this section.

24-A M.R.S.A. § 6904 - Dirigo Health Board of Directors

The Treasurer of State is an ex-officio non-voting member of the Dirigo Health Board of Trustees.

26 M.R.S.A. § 1411-F - Receipt and disbursement of funds

The Treasurer is the appropriate officer of the State to receive and administer federal grants for rehabilitation programs as contemplated by the Federal Rehabilitation Act.

26 M.R.S.A. § 632 - Fund for unpaid wages

Moneys in the Fund for Unpaid Wages not needed to meet claims against the fund shall be deposited with the Treasurer of State to be credited to the fund and may be invested in such manner as is provided for by statute. Interest received on that investment shall be credited to the Maine Wage Assurance Fund.

27 M.R.S.A. § 38, Compliance with federal law

The Treasurer of State is custodian for monies allotted by the Federal Government for general public library services.

30-A M.R.S.A. § 4723 - Appointment, qualifications, tenure and meetings of advisory board members, commissioners and directors

The Treasurer serves as an ex-officio commissioner of the Maine State Housing Authority.

30-A M.R.S.A. § 5651 - Creation of bank and membership

The Treasurer serves as an ex-officio commissioner of the Maine Municipal Bond Bank.

30-A M.R.S.A. § 5681 - State-municipal revenue sharing

The Treasurer shall distribute the balance in the Local Government Fund (REV-I) on the 20th day of each month. The Treasurer shall distribute any balance in the Disproportionate Tax Burden Fund (REV-II) on the 20th day of each month.

30-A M.R.S.A. § 5683 - Property tax relief

The Treasurer of State shall distribute the appropriation balance in the Property Tax Relief Fund no later than 30 days after the legislation appropriating funds for this purpose has been enacted by the Legislature and signed into law by the Governor.

34-B M.R.S.A. § 1231 - Self-sufficiency trust funds

The State Treasurer is the custodian of the Self-Sufficiency Trust Fund created for the purpose of providing the care or treatment of one or more developmentally disabled persons otherwise eligible for state services.

35-A M.R.S.A. § 2904 - Maine Public Utility Financing Bank

The Treasurer serves as an ex-officio commissioner of the Maine Public Utility Financing Bank.

36 M.R.S.A. § 251 - Warrants for town assessment of state tax

When a state tax is properly imposed and assessed, the Treasurer shall send such warrants as he is, from time to time, ordered to issue for the assessment thereof to the assessors, requiring them forthwith to assess the sum apportioned to their town or place, and to commit their assessment to the constable or collector for collection.

36 M.R.S.A. § 703 - Cigarette Tax Stamps

The Treasurer shall provide out of money collected from cigarette tax stamps the funds necessary for the redemption of unused cigarette tax stamps.

36 M.R.S.A. § 752 - Payment of state tax

On or before the first day of September in each year, the Treasurer shall issue his warrant to the treasurer of each municipality requiring transmittal of that municipality's proportion of the state tax for the current year.



36 M.R.S.A. § 1815 - Tax from sales occurring on Passamaquoddy reservation

The Passamaquoddy Sales Tax Fund is a dedicated account administered by the Treasurer for the purpose of returning sales tax revenue to the Passamaquoddy Tribe. By the end of each month, the Treasurer shall make payments to the Passamaquoddy Tribe from the Passamaquoddy Sales Tax Fund.

38 M.R.S.A. § 551 - Maine Coastal and Inland Surface Oil Clean-Up Fund

Money in the Maine Coastal and Inland Surface Oil Clean-up Fund not needed to meet current obligations must be deposited with the Treasurer with earnings credited to the fund.

38 M.R.S.A. § 1364 - Uncontrolled Sites Fund

Funds in the Uncontrolled Sites Fund shall be deposited with the Treasurer with earnings credited to the fund.

39-A M.R.S.A. § 355 - Employment Rehabilitation Fund

The Treasurer is the custodian of the Employment Rehabilitation Fund.

RESOLVES CURRENTLY IN EFFECT

Chapter 126

H.P. 187 - L.D. 216

Resolve, To Establish the Council on Financial Literacy and Create a Financial Literacy Matching Grant Program

Establishes a Treasurer's Council on Financial Literacy whose purpose is to award grants to support financial literacy initiatives for the benefit of Maine residents.

Chapter 132

H.P. 1089 - L.D. 1564

Resolve, To Encourage Financial Education of Children from K-12

Charges the Treasurer with organizing a seminar in November 2007 to provide training on teaching financial literacy to public school students from K-12.

FEDERAL LAWS AND MANDATES

Internal Revenue Code, §103 & 141-150

Tax-exempt bonds issued by the State through the Treasurer's Office are subject to Internal Revenue Code Section 103 and Sections 141-150, and the regulations promulgated thereunder.

31 CFR Part 205

The Office of the State Treasurer will act as the liaison between the State of Maine and the Financial Management Service (FMS), a department of the United States Treasury, by carrying out the rules and procedures for efficient Federal-State funds transfers mandated by the Cash Management Improvement Act of 1990. The Office of the State Treasurer will negotiate an annual contract, monitor state-wide agency compliance, and calculate interest liability owed to or from FMS.



B. Program Descriptions

Treasury Administration: 010-28A-002201

GOAL 1: Provide for the banking needs of state agencies.

OBJECTIVE: To ensure efficient, accessible, accurate and coordinated banking services for state agencies.

PROGRAM STRATEGIES:

1. Authorize, establish and provide reconciliation services for all bank accounts used by state agencies and administered under a primary state banking relationship managed by the Treasurer.
2. Establish and support credit card accounts for state agencies.
3. Address all banking-related issues encountered by state agencies.
4. Maintain current and useful information available through the Treasurer's website.

PERFORMANCE MEASURES:

		Met (Y/N)
1	Provide sufficient bank accounts to state agencies	Y
2	Employ the most advantageous and cost effective credit card acceptance software, hardware and processes.	N*
3	Address all banking problems encountered by state agencies.	Y
4	Maintain current and useful information on the Treasurer's website.	Y

*2 – Agencies have the ability to contract with vendors for services that include the ability to accept credit cards, circumventing the budgetary process of allotting for the expenditure of merchant fees.

RELATED STATISTICS:

	2004-05	2005-06	2006-07
Number of bank accounts used by State Agencies and reconciled by Treasury staff	37	34	36
Percentage of Bank accounts reconciled within 45 days	100%	100%	100%
Number of 'hits' to our Web page	21,821	28,112	32,462

GOAL 2: Ensure that all cash transactions are secure, properly tracked and accounted for.

OBJECTIVE: To efficiently track, record and reconcile the cash transactions of state agencies through the use of bank statement reconciliation.

PROGRAM STRATEGIES:

1. Accurately track all cash receipts of state agencies through a data exchange between the State's accounting system (AdvantageME) and the Treasurer's reconciliation system (TAMI).
2. Track all disbursements by state agencies through a data exchange between AdvantageME and TAMI.
3. Prevent fraud, mistake, and misuse of state funds through traditional and innovative means (currently includes internal controls, check stock security features, bank account debit blocks, full-reconciliation banking services, internal segregation of duties, and external segregation of duties with the State Controller).
4. Control the number of bank accounts to which state funds are deposited.



PERFORMANCE MEASURES:**Met (Y/N)**

1	Track, monitor and reconcile all cash receipt data exchange instances.	Y
2	Track, monitor and reconcile all disbursement data exchange instances.	Y
3	Identify fraud attempts and implement additional prevention methods, if warranted.	Y
4	Ensure adequate accounts and services are provided to each agency.	Y

RELATED STATISTICS:

	2004-05	2005-06	2006-07
Number of Cash Receipt Statement Transactions from State Agencies processed during fiscal year	94,000+	98,000+	112,000+
Number of fraud attempts against State of Maine bank accounts	2	55*	2
Number of bank accounts provided for use by State Agencies	37	34	36

*National lottery scheme

GOAL 3: Ensure that every State of Maine check is backed by sufficient funds while employing sufficient cash-on-hand to benefit the State through investment earnings and debt replacement.

OBJECTIVE: To use bank account balances to ensure adequate backing of state-issued checks while setting aside excess cash for cash pool investments.

PROGRAM STRATEGIES:

1. Continually monitor and regularly request cash flow projections from the State Controller.
2. Make appropriate bank account transfers and cash concentration wires to cover all outstanding checks.
3. Enhance cash pool earnings via daily investment of excess cash-on-hand.
4. Distribute cash pool investment earnings to programs and participants as mandated by statute and policy.

PERFORMANCE MEASURES:**Met (Y/N)**

1	Ensure current cash flow projections are being used in scheduling investment maturities.	Y
2	Review bank account balances daily to ensure sufficient balances exist to cover checks presented.	Y
3	Periodic review of investment strategy and market conditions; adjust strategy as needed.	Y
4	Distribute earnings by the 25 th of each month; add/remove accounts as needed.	Y

RELATED STATISTICS:

	2004-05	2005-06	2006-07
Number of checks returned for insufficient funds	0	0	0
Average Cash Pool balance/earnings distributed	\$695.5 mil/ \$17 mil	\$634 mil/ \$29 mil	\$580 mil/ \$34 mil
Number of cash pool participants/programs	99	111	114
Number of failed cash pool earnings distributions	0	0	0



GOAL 4: To diligently perform all trust and safekeeping obligations.

OBJECTIVES:

- To maintain escrowed state held funds as required by statute.
- To prudently invest, manage, disburse and account for funds held in trust.

320 million given to state in the trusts

PROGRAM STRATEGIES:

1. Work cooperatively with agencies in a custodial and reporting capacity in maintaining guaranty deposits as required by statute.
2. Invest in Maine banks that portion of NextGen College Savings Plan fixed income investments allocated to Maine.
3. Forecast, monitor, invest, and safeguard the Tobacco Master Settlement Agreement Funds.
4. Review the status of funds held in trust and distribute assets as appropriate.
5. Use professional investment managers to grow the corpus and increase the distribution capacities of state-held trusts.

PERFORMANCE MEASURES:

		Met (Y/N)
1	Respond timely to agency custodial requests.	Y
2	Sponsor and facilitate online NextGen CD auctions available to all Maine banks.	Y
3	Coordinate ongoing legal developments with most current econometric-based payment projections in time for use by the Revenue Forecasting Committee.	Y
4	Distribute earnings and assets according to intent of state held trusts.	Y
5	Employ professional investment managers, review performance at least quarterly.	Y

RELATED STATISTICS:

	2004-05	2005-06	2006-07
Guaranty deposits for Workers Compensation, Lottery and Unemployment Compensation maintained by Treasurer's office	\$ 276.9 mil	\$ 290.1 mil	\$ 271.4 mil
Number of NextGen CD auctions	3	3	3
Value of NextGen College Savings Plan	\$ 3.1 billion	\$ 3.9 billion	\$ 5.2 billion
Tobacco Settlement payments received	\$ 49 mil	\$ 44.4 mil	\$ 47.1 mil
Value of assets distributed from state-held trusts	\$610,165	\$743,673	\$738,713
Value of funds held in Trust	\$ 22.2 mil	\$ 22.8mil	\$ 25.5 mil

GOAL 5: To participate in the decision-making of quasi-governmental agencies having the capacity to implicate the credit of the State of Maine.

OBJECTIVE: The State Treasurer, or in the event the Treasurer is unavailable, the Deputy Treasurer, serves on the following boards:

- Adaptive Equipment Loan Program (AELP) Board
- Dirigo Health Board
- Finance Authority of Maine (FAME) Board



- Lifelong Learning Accounts (LILA) Committee
- Maine Educational Loan Authority (MELA) Board
- Maine Governmental Facilities Authority (MGFA) Board
- Maine Health and Higher Education Facilities Authority (MHHEFA) Board
- Maine Municipal Bond Bank
- Maine Public Utility Financing Bank Board
- Maine State Housing Authority (MaineHousing) Board
- Maine Public Employees Retirement System (MainePERS) Board
- NextGen College Investing Plan Investment Advisory Committee (chair)

PROGRAM STRATEGIES:

1. Serve to keep boards connected with the Legislature.
2. Facilitate the distribution of the private activity bond cap.
3. Monitor and update the Legislature on liabilities.
4. Monitor investments and debt issuances.

PERFORMANCE MEASURES:

		Met (Y/N)
1	Provide the Legislature with updates on board activities.	Y
2	Have authorities met jointly to discuss the private activity bond cap?	Y
3	Have bond rating agencies been updated on the moral obligation debt, UAL, and OPEB?	Y
4	Is board debt sized and structured to avoid negatively impacting the State's credit?	Y



Treasury Debt Service: 010, 017 & 018-28A-002101

GOAL 1: To efficiently finance Maine's general obligation debt.

OBJECTIVES:

- To issue state general obligation debt in compliance with applicable state and federal law.
- To efficiently sell bonds at the lowest interest rate available to the state at the time of sale.
- To incur debt-service costs no sooner and in no greater amount than is necessary.
- To allow Maine investors to purchase Maine's tax-exempt bonds at the time of issuance.
- To efficiently finance Maine's cash-flow requirements.
- To efficiently sell BANs at the lowest rate available to the state at the time of sale.
- To utilize the State's own resources when advantageous.

no more than 10 years - June for bond note process

PROGRAM STRATEGIES:

1. Manage relationships with bond rating agencies.
2. Coordinate with applicable executive branch officials to create an annual bond rating agency presentations.
3. Structure, price, and promote in-state retail and institutional bond sales to minimize the burden on state finances.
4. Establish cash flow monitoring systems with the State Controller's Office to closely calibrate cash flow needs and understand internal borrowing capacity.

PERFORMANCE MEASURES:

		Met (Y/N)
1	Are bond rating agencies satisfied that their information requests are answered accurately and in a timely manner?	Y
2	Are the presentation materials complete, accurate, integrated and as persuasive as possible? Are the rating agency interviews effective, with clear and agreed-upon logistics?	Y
3a	Was a large percentage and amount of the bonds purchased by Maine investors?	Y
3b	Was the spread to MMD and treasuries similar to other deals in the market?	Y
3c	Are debt service payments scheduled at times when the State is expected to have strong cash flow?	Y
4a	Were cash pool assets used to reduce external borrowing costs?	Y
4b	Is cash flow information exchanged regularly between the Controller and the Treasurer?	Y
4c	Are internal borrowing guidelines established and followed?	Y
4d	Have TANs been avoided?	Y

GOAL 2: To oversee compliance with general obligation bond responsibilities.

OBJECTIVES:

- To oversee the use of bond and note proceeds in compliance with state and federal law.
- To ensure compliance with all applicable general obligation debt indentures.
- To ensure continued disclosure of facts and information important to investors.

PROGRAM STRATEGIES:

1. Counsel state agencies on the management of bond proceeds and the cash flow requirements.
2. Work with bond counsel and the Attorney General's Office to assure legal compliance and proper tax characterization.



3. Generate and publish Preliminary Official Statements and Official Statements setting forth disclosing information pertinent to bond sales.
4. Track the use of borrowed funds to assure their proper use pursuant to authorization requirements.
5. Track and make debt service payments on time.

PERFORMANCE MEASURES:

		Met (Y/N)
1a	Did agencies use proceeds in accordance with authorization?	Y
1b	Were 100% of tax certificates signed and vetted by bond counsel?	Y
1c	Do unspent proceed balances indicate that borrowing is occurring efficiently?	Y
2	Is there consistent compliance with state or federal law? Are fines avoided?	Y
3	Were the POS and OS accurate, published on time, and available to the public?	Y
4	Is adequate documentation provided by recipient agencies? Are funds used properly?	Y
5	Was the annual bond sale completed in time to make all BAN debt service payments?	Y

GOAL 3: To assist state policy makers and voters as they explore debt structures and anticipate debt service costs.

Amount depends on draw schedule

OBJECTIVES:

- To inform the Governor and the Legislature of all general obligation debt service budget requirements.
- To provide the Governor and the Legislature with advice and information on proposed borrowing packages.

PROGRAM STRATEGIES:

1. Explore hypothetical financing structures early in the bond authorization process to assure market and legal feasibility.
2. Provide fiscal notes on bond bills to reflect the cost of borrowing
3. Identify for state budget-makers the amount of funding needed to make debt service payments.
4. Prepare the Treasurer's Statement for publication on ballots whenever general obligation debt proposals are sent to the voters.

PERFORMANCE MEASURES:

		Met (Y/N)
1	Provide detailed and rapid responses to debt service questions and projection requests.	Y
2	Fiscal notes submitted within 2 days of receiving request from OFPR.	Y
3	Provide accurate and detailed debt service projections to OFPR and Maine voters.	Y
4	Accurate and timely Treasurer's Statement provided to the Secretary of State.	Y

GOAL 4: To maximize earnings on unspent bond and note proceeds.

OBJECTIVE: To maximize earning on unspent bond and note proceeds while minimizing borrowing costs and meeting IRS arbitrage requirements.

PROGRAM STRATEGY:

1. Invest bond proceeds and track arbitrage.



PERFORMANCE MEASURE:**Met (Y/N)**

1a	Have arbitrage penalties been avoided?	Y
1b	Have bond proceed earnings been maximized and are they in compliance with arbitrage requirements?	Y

GOAL 5: To oversee compliance with all internal borrowing, lines of credit, and note responsibilities.**OBJECTIVES:**

- To oversee the use of proceeds in compliance with state and federal law.
- To ensure compliance with all applicable debt indentures.
- To ensure continued disclosure of facts and information important to investors.

PROGRAM STRATEGIES:

1. Work with bond counsel and Attorney General's Office to assure legal compliance.
2. Track and make debt service payments on time.
3. Track the use of borrowed funds to assure their proper use pursuant to authorization requirements.

PERFORMANCE MEASURES:**Met (Y/N)**

1	Are all state and federal laws complied with? Fines avoided?	Y
2	Were debt service payments anticipated and made on time? Are checks and balances in place to assure payments are made?	Y
3	Are the borrowed funds being properly tracked in the State's accounting system?	Y



Municipal Revenue Sharing: 014-28A-002001
Disproportionate Tax Burden Fund: 010-28A-047201

GOAL: To apportion and distribute to local governments a share of the State's sales tax, individual and corporate income tax and service provider tax revenues.

OBJECTIVES:

- To monitor the State Controller's timely transfers into the Revenue Sharing account.
- To allocate and distribute revenue sharing funds in an accurate and timely manner.
- To publish and maintain records of revenue sharing distributions.
- To generate and publish distribution projections for each municipality.

PROGRAM STRATEGIES:

1. Monitor transfer of tax revenues to the appropriate Revenue Sharing accounts.
2. Monitor transfer into the General Fund that portion of the 2% of revenue sharing funds that exceed the \$500,000 otherwise allotted for the Fund for the Efficient Delivery of Local and Regional Services (EDS account).
3. Monitor Local Government Fund (REVI) distributions, confirm funds available through the Disproportionate Tax Burden Fund (REVII), and distribute appropriately.
4. Timely acquisition of the tax assessment, population, mil-rate and REVI cap information needed to complete the revenue sharing distribution formulas.
5. Issue monthly municipal payments quickly and efficiently.
6. Timely publish revenue sharing projections for each municipality. (See "Revenue Sharing Projections Publication Calendar" following)

PERFORMANCE MEASURES:

		Met (Y/N)
1	Request/receive and review journal vouchers from the State Controller's Office monthly.	Y
2	Tally transfers to the EDS account to ensure all excess monies are credited to the General Fund.	Y
3	Calculate and tally transfers to the Revenue Sharing funds to ensure compliance with statute for Disproportionate Tax Burden Fund.	N*
4	Request all statistical data from sources in order to receive in time to publish projections.	Y
5	Ensure checks are issued to municipalities on or before the 20 th of each month.	Y
6.	Update website annually for projections and monthly for distributions.	Y

*3 – June 2006 transfers were incorrect and, as a result, initial distribution of the fund monies were incorrect. Expedient corrections were calculated by the Treasurer and provided to the Controller for subsequent withholding from distributions. Multiple communications were provided to municipalities. Additional controls were implemented to negate the possibility of recurrence.

RELATED STATISTICS:

	2004-05	2005-06	2006-07
1. Total dollars distributed to entities during fiscal year	\$116.5 mil	\$121 mil	\$121 mil
2. Number of entities receiving distributions at end of fiscal year.	493	492	492
3. Timely processing of monthly payments to municipalities.	100%	100%	100%
4. Number of hits on website	6,524	4,709	3,532



REVENUE SHARING PROJECTIONS PUBLICATION CALENDAR:

	2006-07	2007-08
Population Data Received <i>Provided by DHHS Bureau of Vital Statistics</i>	06/19/06	05/21/07
State Valuation Data Received <i>Provided by Maine Revenue Services—certified by Secretary of State</i>	06/14/06	06/08/07
Tax Assessment Data Received <i>Provided by Maine Revenue Services</i>	06/14/06	06/08/07
State Revenue Projections Received <i>Provided by Office of Fiscal and Program Review</i>	06/26/06	06/13/07
REVI Cap Projection Received Established by Maine Revenue Services	7/25/06	06/13/07
Treasurer Publishes Projections	06/27/06	06/22/07*

*Projections were not published until tax reform initiatives were finalized by the Legislature.



Unclaimed Property: 071-28A-002201

GOAL 1: To receive and safeguard lost or unclaimed financial assets from holders.

OBJECTIVE: To ensure timely receipt by the State of all unclaimed properties.

PROGRAM STRATEGIES:

1. Receive and record reports of unclaimed property remitted by business entities to the State.
2. Streamline reporting processes and make online filing available.
3. Facilitate convenient filing of holder reports.
4. Provide compliance information for businesses subject to Maine’s Unclaimed Property Act.
5. Contract out for audits of large national companies holding property from Maine residents.
6. Provide secure and accessible storage for permanent, confidential records.

PERFORMANCE MEASURES:

Met (Y/N)

1	Timely process holder reports to ensure accuracy and availability to claimants.	Y
2	Provide efficient and convenient filing processes to holders.	Y
3	Accept secure FTP, email, fax, paper and online holder reports.	Y
4	Maintain up-to-date website and provide adequate holder outreach staff.	Y
5	Participate in as many contracted audits as possible to increase revenues and compliance.	Y
6	Ensure adequate storage is available for all confidential documents.	N*

*6 – Document storage reached capacity causing unsecured temporary storage. Action has been taken, with additional appropriation, to implement a document scanning project for permanent, secure storage.

RELATED STATISTICS:

	2004-05	2005-06	2006-07
Number of unclaimed property annual reports filed by business entities	3,030	3,420	3,625
Value of unclaimed property remitted to the state	\$19.6 mil	\$25 mil	\$24.7 mil
Value of property received from contract auditor efforts	\$8.3 mil	\$3 mil	\$1.1 mil

GOAL 2: To reunite Maine citizens with lost or unclaimed financial assets.

OBJECTIVE 2: Efficiently and effectively return unclaimed financial assets to rightful Maine owners.

PROGRAM STRATEGIES:

1. Facilitate prompt claims processing systems.
2. Providing a centralized search location for owners of unclaimed property.
3. Maintain a permanent and current database documenting properties received and returned.
4. Streamline the claim process to create efficiencies while not jeopardizing the integrity of the return.
5. Locate property owners through their state Legislators.
6. Participate in responsible national search location efforts.
7. Provide secure and accessible storage of confidential, long-term documents.



PERFORMANCE MEASURES:**Met (Y/N)**

1	Timely process claims to reunite lost property with rightful owner.	Y
2	Provide searchable online database of unclaimed property.	Y
3	Ensure integrity of data received and processed through the use of state-of-the-art systems.	Y
4	Constantly review and enhance claims process to simplify for claimants and claims processors.	Y
5	Provide Legislators with district-specific listings of property available prior to annual advertisement..	Y
6	Extend owner outreach efforts beyond state boundaries to locate former Maine residents.	Y
7	Ensure adequate storage is available for all confidential documents.	N*

*7 – Document storage reached capacity causing unsecured temporary storage. Action has been taken, with additional appropriation, to implement a document scanning project for permanent, secure storage.

RELATED STATISTICS:

	2004-05	2005-06	2006-07
Number of claims paid to property owners	14,794	15,316	13,340
Value of property returned to owners	\$8.9 mil	\$10.4 mil	\$10.6 mil
Number of searches performed on Unclaimed Property website	100,472	443,385	610,296
Value if claims paid as % of property received	45%	42%	43%



Cash Management Improvement Act: 014-28A-002201

GOAL: To ensure State-wide compliance with the federal Cash Management Improvement Act of 1990.

OBJECTIVE: To enforce compliance and carry out the administrative functions prescribed in 31 CFR Part 205.

PROGRAM STRATEGIES:

- Negotiate annual Cash Management Improvement Act contract between state agencies and the Federal Government. Calculate and forward liability to U.S. Dept. of Treasury as appropriate.
- Monitor state agencies for compliance with the Cash Management Improvement Act
- Provide informational resources and guidance to federal program administrators
- Ensure check clearance patterns are current and accurate
- Report annual liability statistics

PERFORMANCE MEASURES:

		Met (Y/N)
1	Annual contract executed, liability calculated and forwarded.	Y
2	Sample state agency draw downs for compliance with clearance pattern prescribed.	Y
3	Sustain adequate resources to provide assistance to state agency staff. Maintain website with useful and current data.	Y
4	Review and update clearance patterns as required by the Federal Government.	Y
5	Compile and forward liability statistics annually.	Y

RELATED STATISTICS:

	2003-04	2004-05	2005-06
1. Number of federal programs included in Treasury-State Agreement	12	14	11
2. Amount of liability to Federal Government	\$135,913	\$440,103	\$36,344



Financial Literacy: 014-28A-Z05301

GOAL 1: To enhance financial literacy in Maine.

OBJECTIVES:

- Chair the Council on Financial Literacy and administer its FY 2008 and 2009 grant program.
- Organize a November, 2007 seminar for teachers on teaching financial literacy.

PROGRAM STRATEGIES:

1. Work with the Council on Financial Literacy to establish clear grant criteria.
2. Distribute grant money in a manner that leverages existing resources.
3. Work with the Department of Education, the University of Maine System, the Maine Community College System, JUMPSTART, and the Institute for Financial Literacy to organize the seminar that will be a lasting resource for Maine teachers.

PERFORMANCE MEASURES:

		Met (Y/N)
1	Was all financial literacy grant money distributed?	N/A
2	Did financial literacy grants leverage existing resources?	N/A
3	Does the financial literacy seminar work with Maine's Learning Results?	N/A



C. Organizational Structure

The Office of the State Treasurer has eighteen (18) budgeted positions, but due to a recent reorganization is now at full-staff with only sixteen (16) of those positions filled. The goal of the reorganization was to create uniformity in the personal services budget and efficient use of personnel resources, resulting in obvious career paths within the organization, streamlined processes and employee cross training. Offering promotional opportunities within the organization has helped to retain staff and increase overall productivity. While the number of staff positions has been reduced by 16% in the last three (3) years, significant strides have been made in delivering services to all constituencies.

In addition to the State Treasurer and Deputy Treasurer, the following positions comprise the Treasury staff:

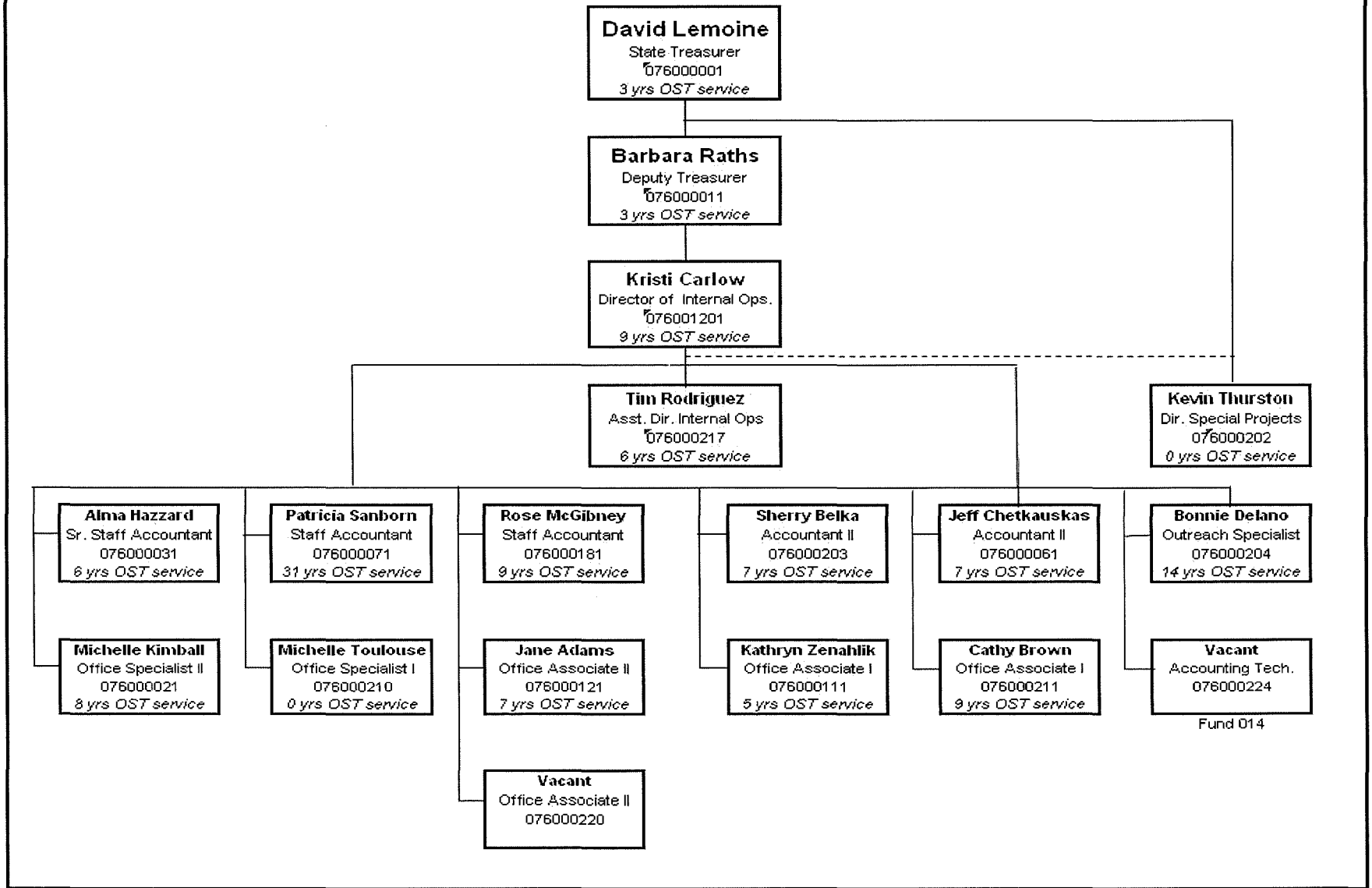
Director of Internal Operations Asst. Director of Internal Operations	Manages the daily operations of all programs within the office
Director of Special Projects	Currently coordinates financial literacy activities; other projects as assigned
Holder Outreach Specialist	Maintains ongoing communication with and provides services to the unclaimed property holder community
Senior Staff Accountant Staff Accountant (2)	Ensures all state funds are accounted for appropriately and timely
Accountant II (2)	Processes complex and unusual unclaimed property claims; tracks and reconciles unclaimed stock portfolio
Office Specialist II Office Specialist I	Records, reconciles, and reports daily investment and check processing activities
Office Associate II Office Associate I (2)	Coordinates the post-processing of all outgoing state-issued checks; processes returned checks; records and reconciles automatic processing of financial institutions; administrative support services
Office Associate II	Offered for elimination in streamlining initiative – position not required, can be eliminated
Accounting Technician	Funded by Other Special Revenue—position not required, can be eliminated





Office of the State Treasurer Organizational Chart

September 2007



D. Compliance with Federal and State Health and Safety Laws

The Office of the Treasurer of State has one office, on the third floor of the Burton M. Cross State Office Building, which is in compliance with all federal and state health and safety laws including the Americans with Disabilities Act, Occupational Health and Safety Act, affirmative action and workers' compensation rules. When contracting for goods and services, the following appears in contracts:

a. The Provider shall not discriminate against any employee or applicant for employment relating to this Agreement because of race, color, religious creed, sex, national origin, ancestry, age, physical or mental disability, or sexual orientation, unless related to a bona fide occupational qualification. The Provider shall take affirmative action to ensure that applicants are employed and employees are treated during employment, without regard to their race, color, religion, sex, age, national origin, physical or mental disability, or sexual orientation.

Such action shall include but not be limited to the following: employment, upgrading, demotions, or transfers; recruitment or recruitment advertising; layoffs or terminations; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Provider agrees to post in conspicuous places available to employees and applicants for employment notices setting forth the provisions of this nondiscrimination clause.

b. The Provider shall, in all solicitations or advertising for employees placed by or on behalf of the Provider relating to this Agreement, state that all qualified applicants shall receive consideration for employment without regard to race, color, religious creed, sex, national origin, ancestry, age, physical or mental disability, or sexual orientation.

c. The Provider shall send to each labor union or representative of the workers with which it has a collective bargaining agreement, or other agreement or understanding, whereby it is furnished with labor for the performance of this Agreement a notice to be provided by the contracting agency, advising the said labor union or workers' representative of the Provider's commitment under this section and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

d. The Provider shall inform the contracting Department's Equal Employment Opportunity Coordinator of any discrimination complaints brought to an external regulatory body (Maine Human Rights Commission, EEOC, Office of Civil Rights) against their agency by any individual as well as any lawsuit regarding alleged discriminatory practice.

e. The Provider shall comply with all aspects of the Americans with Disabilities Act (ADA) in employment and in the provision of service to include accessibility and reasonable accommodations for employees and clients.

f. Contractors and subcontractors with contracts in excess of \$50,000 shall also pursue in good faith affirmative action programs.

g. The Provider shall cause the foregoing provisions to be inserted in any subcontract for any work covered by this Agreement so that such provisions shall be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.



E. Financial Summary

The Office of the Treasurer's budget structure consists of four primary programs: State-Municipal Revenue Sharing, Debt Service, Unclaimed Property, and Treasury Administration. There are two other programs, Cash Management Improvement Act and the Passamaquoddy Sales Tax Fund which contain considerably less activity.

State-Municipal Revenue Sharing 014-28A-002001

During the past 10 years, the Municipal Revenue Sharing distributions have increased by 56%. Currently, the Municipal Revenue Sharing distributes 5.1% of state tax revenues, primarily sales and individual income taxes. In FY 2007 alone, the Treasurer's office distributed approximately \$121,000,000 to 492 municipalities.

Debt Service 010-28A-002101

Since FY 1997, the Office of the Treasurer's debt service program has averaged \$80.5 million in expenditures. 1997 saw a peak in debt service of \$93.7 million, while the FY 2007 total amounted to just over \$88 million, representing a 6% decline during that 10 year period. As the State continues to issue bonded debt, the Treasurer's Office is consistently charged with implementing an efficient and financially sound debt strategy to pay off such obligations and safeguard Maine's bond rating.

Unclaimed Property 071-28A-002201

The State Treasurer's Unclaimed Property program is self funded and provides millions of dollars to the General Fund each year. In FY 1997, this fund contributed approximately \$2.35 million dollars to the General Fund. In FY 2007, that number grew to over \$10.4 million.

In FY 2007, the position assigned to the Unclaimed Property fund was moved to the General Fund. This change was initiated to create uniformity in the Treasurer's office personal services budget, and create efficiencies in personnel resources.

Treasury Administration 010-28A-002201

Treasury Administration provides funding for the 16 staff positions and general administrative functions of all Treasury programs, including the three previously noted. Personal Services and All Other expenses represent the cost of running the Treasurer's Office, including central services provided to other departments.

Personal Services: Efficiencies made in processing, reconciliation, and administration have allowed the Treasurer's office to reduce staff count to 16 employees. While other uncontrolled factors such as health insurance and retiree health have forced the Treasurer's budget up by 14% since 1997, the Permanent Regular line (3110) has *decreased* by approximately 9%. Lines such as Retiree Health (3908) and Health Insurance (3901) have increased by 200% & 102% respectively. This is outlined in Appendix II.

All Other: From 1997 to 2007, the Treasurer's All Other expenses increased by a total of just 1.6%. This is a result of strict budgetary controls and savings gained by using existing resources and seeking out cost effective alternatives for purchases. The Treasurer pays the cost of mailing miscellaneous checks issued by all departments and the last several federal postage rate increases have been absorbed by further reduction in unrelated categories.

Cash Management Improvement Act 013-28A-002203

This fund began in 2003 as a grant from the Federal Government related to the administration of the Cash Management Improvement Act. This funded a position solely dedicated to monitoring federal funds from 2003 – 2006.



Passamaquoddy Sales Tax Fund 014-28A-091501

This fund is similar to the Municipal Revenue Sharing account. When the Passamaquoddy tribe collects sales tax, they are required to contribute 5.1% towards Municipal Revenue sharing. Maine Revenue Service transfers funds into this account and then the Treasurer is charged with returning the balance to the tribe within one month. There has been no activity since 2003.



F. Regulatory Agenda and Summary of Rules

The Office of the State Treasurer does not maintain a regulatory agenda and has not adopted any rules.



G. Coordinated Efforts

The Treasurer's Office coordinates and participates regularly in several projects and efforts that require collaboration with other departments. Being a financial services agency that serves the entire state, many of our functions directly impact other departments. This makes many improvements a joint venture.

- The Cash Management Improvement Act (CMIA) began in 1990. Every year the Treasurer's Office writes a contract between *all State of Maine agencies* receiving federal funds that exceed a certain threshold and the *U.S. Department of Treasury*. At the end of the year, a report is filed to show the liability, if any, the state has for the Federal Government. Each year the Treasurer's Office works with the involved state agencies to enter into this contract and then report on it.
- The Treasurer's Office works collaboratively with state agencies to provide adequate funding, through the issuance of bonds, for capital projects.
- The Treasurer's Office regularly exchanges information with the *Bureau of the Budget* regarding unspent bond proceeds prior to issuing additional bonds in an effort to reduce the overall cost of borrowing to the state.
- Collaborative efforts with *InforME* have resulted in a complete rewrite of the OST website, which included the ability to conduct revenue sharing queries, file unclaimed property claims, file holder reports and make schedule requests online.
- The relationship with *InforME* continues to grow as we work to improve the unclaimed property claim process. With their assistance, we have implemented a "fast-track" automated verification process that resulted in expedited approval and payment of simple claims.
- Through an ongoing cooperative venture with the *Office of the Secretary of State* and InforME, we are able to verify some claims via a match with driver's license records. This accelerates and simplifies the process for the claimant.
- The Treasurer's Office and the *State Controller's Office* have a cooperative and complimentary relationship. Most recently, the Treasurer's Office supported and assisted the Controller's Office with the development and implementation of the new statewide accounting system, AdvantageME. We are currently jointly exploring and researching ways to simplify and automate the accounts payable check distribution process. Cash flow projection data is exchanged regularly to the benefit of both offices. The State Treasurer and the State Controller have a cooperative agreement regarding the internal borrowing policy—each must agree and authorize each instance. In general terms, The Office of the State Treasurer and the Office of the State Controller compliment each other by providing checks and balances for needed internal control. Maintaining separation of duties is an important component of the internal control required by the Governmental Accounting Standards Board (GASB) rules and is considered and adhered to with collaborative efforts.
- The Treasurer's Office is working with the *Department of Education* on the implementation of the Office's financial literacy seminar initiative. The office is putting on a K-12 teacher financial literacy seminar in November, 2007. The curriculum of the training will be designed to assist teachers in meeting the revised Maine Learning Results benchmarks, which include a new focus on personal finance.



H. Constituencies

The Office of the State Treasurer is a central service agency with constituencies and services as set for below:

Constituency	Service(s) Provided
Maine Citizens	Serves the public interest through trustworthy and competent management of the State's cash, general obligation debt, and unclaimed properties.
Legislature	Reports on bonded indebtedness, tobacco funds, and investment earnings. Provides information, text, charts, and graphs on debt and cash pool earnings. Provides annually a personalized pre-advertisement unclaimed property list to each Legislator.
Revenue Forecasting Committee	Provides projections on cash pool earnings, unclaimed property fund transfers, and other information as requested.
State Agencies	Banking services; cash pool management and reporting; bond issuance and debt service; custodial and trust fund services; investment of and earnings distribution dedicated funds; safekeeping management and reporting; reconciliation management; returned check processing and maintenance; credit card acceptance set-up and maintenance; cash receipt training and guidance; disbursement maintenance, processing and recordkeeping; unclaimed property law compliance; Cash Management Improvement Act training, sampling, guidance and compliance liaison services; and Land Use Regulation Commission (LURC) assessment withholding.
Quasi-State Agencies	<p>The Treasurer serves on the board of quasi-governmental agencies having the capacity to implicate the credit of the State of Maine.</p> <ul style="list-style-type: none">• Adaptive Equipment Loan Program (AELP) Board• Dirigo Health Board• Finance Authority of Maine (FAME) Board• Lifelong Learning Accounts (LILA) Committee• Maine Educational Loan Authority (MELA) Board• Maine Governmental Facilities Authority (MGFA) Board• Maine Health and Higher Education Facilities Authority (MHHEFA) Board• Maine Municipal Bond Bank• Maine Public Utility Financing Bank Board• Maine State Housing Authority (MaineHousing) Board• Maine Public Employees Retirement System (MainePERS) Board• NextGen College Investing Plan Investment Advisory Committee (chair)
Municipal Governments	Published State-Municipal Revenue Sharing projections, distributions, and delinquent tax rates and information; offers payment management



and LURC assessment withholding services.

Unclaimed Property
Holders

Provides assistance to all holders of unclaimed property to ensure compliance with Title 33, chapter 41 of M.R.S.A.

Unclaimed Property
Claimants

Assists apparent owners (claimants) of unclaimed property with their claim(s) and ensures protection of the assets for the true owner.

Municipal Bond Market
Bond Rating Agencies

Provide Official Statement of the State's financial condition to investors; provide information to Bond Rating Agencies as requested.



I. Alternative Delivery

Alternative deliveries, including technologically advanced methods and outsourcing, have been or will soon be implemented in the following areas:

Program/Service	Alternative Delivery
Unclaimed Property Holder Reports	Unclaimed property holders are now offered the ability to enter their holder reports and non-reports online through our website. The data is then transmitted securely to our servers for upload to our database, reducing the amount of data entry required of staff.
Unclaimed Property Claims	The Treasurer's Office created and implemented an online unclaimed property claim process. This service allows the apparent owner of a property to easily identify the property and to then complete the claim process online, at their convenience. The data provided is then loaded to our database, reducing the amount of data entry required from staff. Fast tracking of claims has resulted in expedited approval and payment of simple claims.
Unclaimed Stock Certificates	The Treasurer's Office outsources custodial and accounting services for the unclaimed property stock portfolio. ACS receives, accounts for, and provides custody services (through Mellon Bank) for all the stock we hold on behalf of unclaimed property owners. The Treasurer's Office receives monthly statements that are used to reconcile to the State's accounting system, AdvantageME.
Unclaimed Property Audits	The Treasurer's Office outsources the auditing of national corporations to three firms that specialize in unclaimed property auditing and provide audits for several states. This gives Maine leverage with large corporations and saves the cost of doing an independent audit.
Unclaimed Property Workflow	The Treasurer's Office is in the process of customizing a popular scanning platform to use in the flow of documents for unclaimed property. Once implemented, this will significantly reduce the volume of paper that is transferred between employees and allow employees to access documents with the click of a button rather than via paper files.
AdvantageME	The Treasurer's Office supported and assisted the State Controller's Office with customization and implementation of AdvantageME, which replaced the statewide user interface of TAMI for cash receipt entry and reporting. These efforts resulted in agencies utilizing one system for processing



accounting transactions, rather than two. The Treasurer's Office continues to use TAMI as a critical and independent tool for bank account reconciliations.

Delinquent Tax Rate

The Treasurer's Office provides the annual delinquent tax rate established by statute to municipalities via postcard and online. In addition, a history of the rates is provided online.

NextGen CD Auction

The Treasurer's Office designed and implemented an online CD auction for linked CDs offered to Maine banks. Bid rates are entered by the banks and high bidders receive NextGen funds to be placed in low-rate CDs in exchange for offering NextGen services at their financial institution.

Investment Reporting

The Treasurer's Office contracts with an investment advisor that provides customized and GASB compliant investment reporting services for the Treasurer's Cash Pool. Improvements have been made in balancing the portfolio, tracking maturities, and asset allocation as a result of the services provided.

Municipal Revenue Sharing

The Treasurer's Office has provided monthly distribution details and annual projections on the web for several years to assist agencies with identifying electronic deposit of funds. More recently, the Office has expanded the site to include a query on the history of distributions back to 1990.



J. Emerging Issues

Kentucky vs. Davis: The outcome of this Supreme Court case is important for the state bond market because a decision upholding the Kentucky State court decision could force Kentucky and some 40 other states (including Maine) that tax the interest on out-of-state bonds owned by residents to pay higher borrowing costs to retain their investors.

Lack of storage to meet document retention requirements. – The nature of the Unclaimed Property program requires that all holder reports be maintained in perpetuity. Claim documents are also to be maintained long term. Both document types contain confidential information and require frequent access for confirmation of information. Cash management documents contain highly sensitive information that should be maintained for extended periods of time, such as State of Maine debt, accounting records, bank account information and transaction listings, among other data. These requirements have recently become a burden due to the limited availability of space, especially secure storage space. As a result, the Treasurer's Office requested additional allotment of technology funds for FY 2008, which was approved. A document of understanding has been executed, business requirements and workflow documented, and programming near complete to implement a Fortis Document Management System offered by the Office of Information Technology.

Technology and Fraud – While in many cases technology can be used to prevent fraud, it can also increase the risk of fraud. The Treasurer's Office is committed to staying abreast of national fraud issues through a variety of networks. Through current controls in place to detect fraud, the Treasurer's Office has prevented over 60 fraud attempts over the past three (3) years. Because technology is always changing, the Treasurer's Office must stay abreast of potential fraud issues in order to protect the State from future loss.

Financial Literacy – The Legislature has identified the need to enhance the financial literacy of Maine citizens. The Treasurer's Office is now supporting two financial literacy programs—a November, 2007 seminar for teachers and a Financial Literacy Council that awards grants. The ever-changing financial products industry requires that consumers have a high level of financial literacy and it is anticipated that more efforts will be needed in this area.



K. Other Information

The Office of the State Treasurer will provide all additional information when and if requested.



L. Comparison of Federal Laws and Regulations to State Laws and Rules

The federal laws relating to the Treasurer's Office mostly come from Title 26 of the *Internal Revenue Code*. One important duty of the Treasurer's Office is to track and report to the Federal Government any liabilities of the state with respect to federal money and tax-exempt borrowing. Proper reporting to the Federal Government keeps Maine's tax-exempt status safe.

State statutes dealing with bond issues, taxable wage withholding, NextGen, and the *Cash Management Improvement Act* follow the form of the federal laws. The Treasurer's Office has not gone through the Rulemaking process to make any procedural adjustments to these laws.



M. Agency Policies for Collecting, Managing, and Using Personal Information

The Office of the State Treasurer requires each employee to review, understand, and execute a standard confidentiality policy and an email usage and management policy. A complete copy of each policy, including the employee acknowledgement, is provided in Appendix III.

Unclaimed property holders are encouraged to remit reports that contain personal data, such as Social Security numbers or dates of birth, either encrypted, password protected, or through secure FTP transfer.



N. Agency Reports, Applications, and Required Filings

Holder Reports

Unclaimed Property holders are required to submit annual holder reports per Title 33, chapter 41, § 1958, last amended in 2005. In FY 2006 and 2007, the Treasurer received 3,420 and 3,625 holder reports, respectively. In FY 2008 and 2009, the Treasurer anticipates at least 3,500 reports for each year.

To reduce the burden of this filing on holders, the Treasurer provides several methods for the reports to be filed.

