

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 686 (Delegate Heller, *et al.*)
(Joint Committee on the Management of Public Funds)

Appropriations

Budget and Taxation

State Treasury - Undeliverable Checks Fund

This bill revises the procedures for administering the Undeliverable Checks Fund. Specifically, the bill: (1) eliminates a seven-year limitation on issuing replacement checks; (2) clarifies that when required by federal or State law or when considered proper by the Treasurer, undeliverable check funds may be returned to their source or transferred to another account; (3) reduces from seven years to two years the time required to hold undeliverable checks before transfer to the general fund; and (4) clarifies that undeliverable check funds are not subject to the Maryland Uniform Disposition of Abandoned Property Act.

Fiscal Summary

State Effect: Potential significant one-time transfer from the Undeliverable Checks Fund to the general fund in FY 2004. Any transfer could be mitigated to the extent that claims are filed for undelivered checks after the funds have been transferred.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The amount of undeliverable checks is required to remain in the Undeliverable Checks Fund for seven years, during which time replacement checks may be issued. After seven years, the balance is transferred to the general fund and

replacement checks may not be issued. This procedure is inconsistent with the Uniform Disposition of Abandoned Property Act which allows claims indefinitely.

Federal law requires that if checks funded in whole or in part with federal money remain undeliverable for 180 days, the federal funds must be returned or reallocated to new eligible expenditures.

Background: The bill is intended to conform the treatment of undeliverable State checks to the Abandoned Property time limits, as well as requiring a more efficient accounting and transfer of funds to the general fund. The bill is also intended to clarify that State-issued undeliverable checks are not subject to the Abandoned Property Act.

This bill was introduced as a recommendation from the Joint Committee on the Management of Public Funds.

State Fiscal Effect: As of December 31, 2003, there was approximately \$3.6 million in the Undeliverable Checks Fund. The bill reduces the seven-year waiting period before funds may be transferred into the general fund to two years. As a result, a significant portion of \$3.6 million that is in the fund could be transferred to the general fund as part of the close out for fiscal 2004. The amount that is transferred depends on an assessment made by the Treasurer as to the amount of claims that could be made against the fund. The assessment takes into account the history of claims made in the prior three or four years. This is a one-time increase and only affects those monies that were held in the fund for over two years. To the extent that claims are filed for undelivered checks, these claims would have to be reimbursed from the general fund, thereby reducing the overall amount of the transfer.

Additional Information

Prior Introductions: None.

Cross File: SB 431 (Senator Lawlah, *et al.*) – Budget and Taxation.

Information Source(s): Comptroller's Office, Maryland State Treasurer's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2004
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