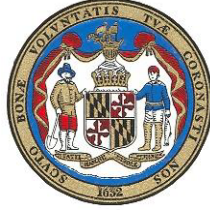


SB 800 - STO Testimony.pdf

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MARYLAND STATE TREASURER
Dereck E. Davis

Testimony of the Maryland State Treasurer's Office

**Senate Bill 800: Maryland Uniform Disposition of Abandoned Property Act –
Maryland 529 Program – Exemption**

Position: Favorable with Amendments

Senate Budget and Taxation Committee

February 21, 2024

The State Treasurer's Office (STO) respectfully requests that the Committee give favorable with amendments consideration to Senate Bill 800, which will (1) clarify current law, and (2) facilitate new internal procedures that will improve the Maryland 529 Program (Maryland 529).

Need for Clarification

In 2014 and 2019, the Office of Legislative Audits in the Department of Legislative Services found that Maryland 529 did not properly handle uncashed checks by determining whether any of the funds should have been considered abandoned under the Maryland Uniform Disposition of Abandoned Property Act (Act). As a result of these findings, Maryland 529 sought formal advice from the Office of the Attorney General on the application of the Act to Maryland 529 accounts.

STO recently learned that, in the intervening years, each of the program managers for the three savings plans developed their own internal procedures. According to T. Rowe Price, 208 Maryland College Investment Plan checks totaling \$307,000 remain uncashed and would escheat under the three-year limitation in the Act. An additional 57 checks worth \$216,000 will be eligible for escheatment throughout 2024. According to Catalis/Intuition, since the establishment of a new internal process in 2022, 74 Maryland Prepaid College Trust (MPCT) checks totaling approximately \$274,400 remained uncashed for more than six months and were credited to MPCT accounts. According to Vestwell, since the

inception of the Maryland Achieving A Better Life Experience (ABLE) Program in 2018, there have been a total of 125 unclaimed checks.

On May 15, 2023, the Attorney General issued an opinion concluding that, while the General Assembly did not appear to intend the Act to apply to Maryland 529 accounts, the legislature likely intended the Act to apply to uncashed checks.¹

Increased Transparency

As introduced, Senate Bill 800 codifies the Attorney General’s opinion that amounts on deposit in 529 program accounts are not subject to the Act. The legislation also settles the question of whether uncashed checks should also be exempted.

While the State’s program managers have developed procedures, STO intends to take more ownership when issues arise relating to dormant accounts and uncashed checks. Part of this work will involve updating the three plans’ respective Disclosure Statements so that account holders better understand when inactivity triggers changes to an account. This increased transparency will address the repeat audit findings and support STO’s efforts to restore public trust in Maryland 529.

Amendments

After consulting with the Comptroller’s Office, STO proposes to amend the bill to specify that uncashed checks are subject to the Act (see page 3 for suggested language). This will enable the State to benefit from operational efficiencies. For example, the staff for the Unclaimed Property Division in the Comptroller’s Office are already positioned to help reunite individuals living in-state or out-of-state with their property. Partnering with the Comptroller’s Office will also assist in clearing through the backlog of uncashed checks across the programs.

For the foregoing reasons, STO requests that the Committee give Senate Bill 800 a favorable with amendments report. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.

¹ “Statutory Interpretation – Maryland 529 – Whether the Maryland Uniform Disposition of Abandoned Property Act Applies to Accounts in the Programs Offered by Maryland 529,” Office of the Attorney General, May 15, 2023, available at: [108OAG21.pdf \(marylandattorneygeneral.gov\)](#).

PROPOSED AMENDMENT

BY: Chair, Budget and Taxation Committee
(To be offered in the Senate Budget and Taxation Committee)

AMENDMENTS TO SENATE BILL 800
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, strike beginning with “and” in line 4 down through “accounts” in line 5, inclusive.

AMENDMENT NO. 2

On page 1, in line 17, strike “This” and substitute: “**(A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS**”; and strike beginning with “OR” in line 20 down through “ACCOUNT” in line 21, inclusive.

On page 2, after line 2 insert:

“(B) THIS TITLE APPLIES TO A SUM PAYABLE ON A CHECK DRAWN AGAINST AN ACCOUNT ESTABLISHED UNDER TITLE 18 OF THE EDUCATION ARTICLE.”