

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 536** HLS 20RS 760

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 2, 2020	12:52 PM	<b>Author:</b> SCHEXNAYDER
<b>Dept./Agy.:</b> Treasury		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Dedicates unclaimed property funds		

FUNDS/FUNDING OR -\$20,900,000 GF RV See Note Page 1 of 1  
Dedication of unclaimed property funds and creation of Louisiana Unclaimed Property Permanent Trust Fund

Proposed law creates the La Unclaimed Property Permanent Trust Fund to receive all monies attributable to the Uniform Unclaimed Property Act, and to be used solely for the payment of claims made by owners of unclaimed property. No appropriations are to be made from the Fund, but monies in the Fund can be utilized to make claims payments if claims exceed gross receipts. Monies in the Fund are exempt from Bond Security and Redemption Fund requirements. Monies are to be deposited into the Fund until the balance equals the state's potential liability for all unclaimed property claims. Monies received beyond that liability, as well as investment earnings, net of administrative expenses, are to be deposited into the state general fund. The treasurer may invest up to 50% of the Fund in equities, and is required to submit an initial report and annual reports.

Contingent upon adoption of the constitutional amendment contained in HB 445 of this session, to be submitted to the electors at the statewide election to be held on November 3, 2020. Effective July 1, 2021.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

  

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$20,900,000)	(\$20,400,000)	(\$19,800,000)	(\$19,200,000)	<b>(\$80,300,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$20,900,000	\$20,400,000	\$19,800,000	\$19,200,000	<b>\$80,300,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The Treasury will likely incur expenditures beginning in FY 22 associated with the management of investments and operating expenses related to the new Trust Fund (approximately \$48,000 annually). The management of investments (up to 50% equities is allowed) will be paid by professional services contract, and are allowed to be appropriated from the investment earnings of the Trust Fund.

Creating a new special fund/dedication (Louisiana Unclaimed Property Permanent Trust Fund) within the state treasury will result in additional workload for the Treasury, which can generally be absorbed with existing resources. However, the accumulation of statutory and constitutional dedications (over 400 special funds currently managed) will ultimately require additional resources. When unable to absorb additional workload with existing resources, the treasury anticipates the need for an additional position (\$71,000 treasury fiscal analyst) and one-time equipment purchases (\$2,500).

**REVENUE EXPLANATION**

Proposed law will result in a dollar for dollar decrease in state general fund deposits and an increase in dedicated fund deposits (Louisiana Unclaimed Property Permanent Trust Fund) until such time as the balance in the new Fund equals the amount of potential liability to unclaimed property claimants as reported in the previous fiscal year by the state treasurer. At such time as the Fund balance exceeds the state's potential liability in the previous fiscal year, program net receipts shall be deposited into the state general fund. As of the end of FY19, the potential liability was \$881 million. The treasury anticipates earning an accumulating \$1 million per year from the Trust Fund's separate portfolio, including equities (\$1M FY23, \$2M FY24, \$3M FY25...). In addition, the bill requires the transfer of unencumbered balances in the Unclaimed Property Leverage Fund (I-49 accounts) to the Trust Fund created by this bill. That balance at the outset of FY20 was some \$46.5 million.

Treasury practice from inception of the program through FY18 was to revert to the state general fund all program funds received each fiscal year that have not been returned to the owners nor used for allowable administrative costs, after making a transfer of \$15 M to the Unclaimed Property Leverage Fund {R.S. 9:165(C)} since FY08. These excess receipts are appropriated by the legislature in support of the state budget. Earnings attributable to UCP receipts are credited to the state general fund, as well. Historically, annual receipts substantially exceed annual claims refunds and expenses, and the state's liability to claimants does not expire.

Based on the current official forecast of April 10, 2019, the projected diversion of funds away from the state general fund and into the new Trust Fund is depicted in the revenue table above. It should be noted that the treasury did not revert excess program collections in FY19, and indicates it will not do so in subsequent years. However, this issue is being litigated, and the REC has not removed these receipts from the official forecast, nor have state general fund appropriations been reduced.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**John D. Carpenter**  
**Legislative Fiscal Officer**