

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 12** SLS 201ES 27
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 11, 2020 6:21 PM	Author: FESI
Dept./Agy.: Treasury	Analyst: Greg Albrecht
Subject: Dedicates unclaimed property funds	

UNCLAIMED PROPERTY EG -\$25,000,000 GF RV See Note Page 1 of 1
 Constitutional amendment to dedicate unclaimed property funds and to create the Louisiana Unclaimed Property Permanent Trust Fund. (2/3 - CA13s1(A)) (Item #10) (7/1/21)
Proposed constitutional amendment creates the La Unclaimed Property Permanent Trust Fund to annually receive net amounts attributable to the Uniform Unclaimed Property Act, to ensure a source of payment for 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 annual 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 annual reports.

To be submitted to the electors at the statewide election to be held on November 3, 2020. Effective July 1, 2021.

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

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$25,200,000)	(\$24,700,000)	(\$24,200,000)	(\$24,200,000)	(\$98,300,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$25,200,000	\$24,700,000	\$24,200,000	\$24,200,000	\$98,300,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

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.

REVENUE EXPLANATION

Proposed constitutional amendment will result in a matching decrease in state general fund deposits and 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...).

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 and, since FY08, after making a transfer of \$15 M to the Unclaimed Property Leverage Fund {R.S. 9:165(C)}. These excess receipts are appropriated by the legislature in support of the state budget. Earnings attributable to UCP receipts are currently credited to the state general fund, as well. Historically, annual receipts (FY19: \$81.5M) substantially exceed annual claims refunds and expenses (FY19: \$54.5M), the state's liability to claimants does not expire, and no claimants have not been paid their claims.

Based on the current official forecast of May 11, 2020, the projected diversion of funds away from the state general fund and into the new Fund is depicted in the revenue table above (FY25 is assumed equivalent to FY24). 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 forecasts for FY22 and beyond, nor were FY19 and FY20 state general fund appropriations reduced.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
 Legislative Fiscal Officer