



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

Fiscal Note On: **HB 291** HLS 19RS 532  
 Bill Text Version: **RE-REENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 23, 2019	4:14 PM	<b>Author:</b> BARRAS
<b>Dept./Agy.:</b> Unclaimed Property Funds		<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Dedicates unclaimed property funds and creates funds		

FUNDS/FUNDING RR -\$24,700,000 GF RV See Note Page 1 of 2  
 (Constitutional Amendment) Dedication of unclaimed property funds and creation of Louisiana Unclaimed Property Permanent Trust Fund and Louisiana Unclaimed Property Support Fund

**Proposed constitutional amendment** creates the La Unclaimed Property Permanent Trust Fund (UCP Permanent Trust) and credits to it all monies received as a result of the Uniform Unclaimed Property Act; provides that the UCP Permanent Trust is to be used solely for the payment of claims made by owners and that appropriations from the UCP Permanent Trust are prohibited; creates the Louisiana Unclaimed Property Support Fund (UCP Support Fund) to provide a source of funds for the unclaimed property revolving loan commission for local government infrastructure; the source of monies in the UCP Support Fund shall be all monies received as interest income, realized capital gains, dividend income from the UCP Permanent Trust, repayment of loans made by the revolving loan commission, and proceeds from the sales of securities held by the Unclaimed Property Division; requires monies be deposited into the UCP Permanent Trust until the balance equals the state's potential liability for all unclaimed property claims at which point additional monies shall be deposited into the UCP Support Fund; authorizes the state treasurer to invest up to 50% of monies in the UCP Permanent Trust and authorizes the treasurer to contract for the management of the funds; requires the state treasurer to submit an annual report; and provides for submission of the proposed amendment to the voters at the statewide election to be held 10/12/19. Effective date is 7/1/20.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$24,700,000)	(\$24,300,000)	(\$23,800,000)	DECREASE	<b>(\$72,800,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$25,700,000	\$25,300,000	\$24,800,000	INCREASE	<b>\$75,800,000</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>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>		<b>\$3,000,000</b>

**EXPENDITURE EXPLANATION**

HB 291 is the constitutional companion to HB 292 and provides for creation of the Louisiana Unclaimed Property Permanent Trust (UCP Permanent Trust) and Louisiana Unclaimed Property Support Fund (UCP Support Fund) to provide for the payment of claims made by owners and to provide a source of funds for an unclaimed property revolving loan commission. **Proposed constitutional amendment** will be effective July 1, 2020, assuming it receives a favorable vote at the statewide election to be held on October 12, 2019.

The Treasury reports that it will incur expenditures beginning in FY 21 associated with the management of investments and operating expenses related to custody of the funds under the Central Depository Agreement (approximately \$48,000 annually). Additionally, the Treasury will pay a portion of the internal portfolio manager's salaries and related benefits (approximately \$27,800). The internal portfolio manager's salary will not increase, so there is no net change in expenditures. The position will simply receive a proportional amount of salary and related benefits across the managed funds. The management of investments will be paid by professional services contract. The expenses in this paragraph will be paid from statutory dedications out of the newly created UCP Support Fund.

Creating two new special funds/dedications (Louisiana Unclaimed Property Permanent Trust and Louisiana Unclaimed Property Support Fund) within the state treasury will result in a marginal additional workload for the Treasury, which can generally be absorbed with existing resources. However, to the extent other legislative instruments create new statutory or constitutional dedications, there may be

**SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO**

**REVENUE EXPLANATION**

**Proposed constitutional amendment** will result in a dollar for dollar decrease in SGF deposits and an increase in statutorily dedicated deposits into the Louisiana Unclaimed Property Permanent Trust Fund (UCP Permanent Trust) until such time that the balance in the UCP Permanent Trust equals the amount of potential liability to unclaimed property claimants as reported in the previous fiscal year by the state treasurer. All money received above the state's potential liability to unclaimed property claimants as reported by the state treasurer in the previous fiscal year shall be deposited into the UCP Support Fund, in addition to interest income on investment of monies in the UCP Permanent Trust, realized capital gains on investment of the UCP Permanent Trust, dividend income earned on investment of the UCP Permanent Trust, all monies received as repayment of loans made through the unclaimed property revolving loan commission as established by law, and the proceeds from the sale of securities held by Unclaimed Property. Under **present law**, funds received by the treasurer as the result of the Uniform Unclaimed Property Act (R.S. 9:151) that have not been returned to the owners nor used for allowable fees and administrative costs revert to the SGF after making a transfer of \$15 M to the Unclaimed Property Leverage Fund, as set forth in R.S. 9:165(C) each fiscal year.

The Treasury estimates the potential impact to the SGF at \$26.92 M, equivalent to the prior five-year average of reversions to the SGF at the end of each fiscal year. The information contained in the revenue block above is provided by the LFO utilizing the most recent forecast by the Revenue Estimating Conference on April 10, 2019, the projected reversions to the SGF are estimated at \$24.7 M in FY 21 (\$39.7 M

**SEE REVENUE EXPLANATION CONTINUED ON PAGE TWO**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input 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}

*Evan Brasseaux*  
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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

material additional costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking and custodial functions for 399 special funds. When unable to absorb additional workload with existing resources, the treasury anticipates a personal services expenditure increase of approximately \$71,000 for 1 T.O. position (State Treasury Fiscal Analyst) plus approximately \$2,500 for a one-time purchase of office equipment. These expenditures are assumed to be SGR, or a blend of SGR and SGF, as proposed constitutional amendment provides that funds from the UCP Support Fund shall be available for appropriation to pay expenses incurred in the investment and management of the UCP Permanent Trust.

The UCP Permanent Trust is created to ensure a source of payment of claims made by owners of unclaimed property. Monies deposited into the UCP Permanent Trust is private property held in trust until a claim is made by the owner and are not subject to appropriation.

Proposed constitutional amendment provides the funding mechanism for an unclaimed property revolving loan commission to be established by the legislature, providing for a revolving loan program for the benefit of local governmental subdivisions, political subdivisions, or municipalities. Monies in the UCP Support Fund may be transferred by the state treasurer for use by the unclaimed property revolving loan commission to make loans. The monies dispersed from the UCP Support Fund for use as revolving loans shall not displace, replace or supplant appropriations from the SGF or any other specific constitutional or statutory dedication to local governmental subdivisions, political subdivisions or municipalities in existence on July 1, 2020. The LFO assumes that specific provisions with regard to expenditures or appropriations from the revolving loan program will be detailed in its establishing legislation under a separate instrument.

This bill will add a constitutional amendment to be considered by voters at the statewide election held on October 12, 2019. The Secretary of State may incur minimal ballot printing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources for the October 12, 2019, statewide election.

While proposed law does not directly impact SGF expenditures, it does impact revenues that support the general operational costs of the state. The impact is indeterminable and will depend on appropriation decisions by the legislature.

REVENUE EXPLANATION CONTINUED FROM PAGE ONE

less \$15 M to the Unclaimed Property Leverage Fund), \$24.3 M in FY 22 (\$39.3 M less \$15 M) and \$23.8 M in FY 23 (\$28.8 M less \$15 M). FY 24 is reflected as DECREASE SGF and INCREASE Statutory Dedications in the revenue box above as that fiscal year falls beyond the current revenue estimate and is unknown.

The Treasury assumes additional revenue deposits into the UCP Support Fund of approximately \$1 M annually derived from interest income on investment of monies in the UCP Permanent Trust, realized capital gains on investment of the UCP Permanent Trust, dividend income earned on investment of the UCP Permanent Trust, all monies received as repayment of loans made through the unclaimed property revolving loan commission as established by law, and the proceeds from the sale of securities held by the Unclaimed Property Division. These monies represent the estimated net increase in aggregate revenues to the state as a result of proposed constitutional amendment.

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}

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