

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 603** SLS 14RS 1645

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 7, 2014	12:22 PM	Author: ALARIO
Dept./Agy.: State Treasury		Analyst: Travis McIlwain
Subject: Unclaimed Property		

UNCLAIMED PROPERTY OR INCREASE GF RV See Note Page 1 of 1
Provides procedure for the escheatment of United States savings bonds presumed abandoned. (gov sig)

Proposed law provides that unclaimed U.S. savings bonds shall revert to the state 3 years after becoming unclaimed property and all property rights and legal title to and ownership of those bonds or proceeds shall vest solely in the state. Within 180 days, if no unclaimed property claim has been filed for the U.S. savings bonds, the state treasurer shall commence a civil action in the 19th JDC for a determination that such savings bonds revert to the state. The state treasurer may postpone the bringing of such action until sufficient U.S. savings bonds have accumulated in his custody to justify the expense of such proceedings. Effective upon governor's signature.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$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>	<u>\$0</u>
Annual Total						
REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

In some years the bill will likely result in an indeterminable increase in expenditures of the State Treasury. The additional expenditures include legal filing fees and the publication of legal notices and may be at least several thousands of dollars. Based upon research conducted by State Treasury, the state of Kansas has similar provisions in statute. Kansas has hired a third-party attorney to handle all legal filings and currently pays the contract costs from the amount of monies redeemed. This is similar to the process currently in place now in which the State Treasury pays for audit costs from the unclaimed property escrow account. This bill does provide that the state treasurer may postpone bringing legal action until sufficient U.S. savings bonds have accumulated in the custody of the state treasurer to justify the expenditures of the legal proceedings. Whether these expenditures are explicit additional outlays or implicit (reducing the net redemption amounts), they may not occur each year, but only when sufficient bonds have accumulated.

REVENUE EXPLANATION

Assuming the treasury commences civil action to revert the existing stock of U.S. Savings Bonds in the unclaimed property program, the bill will result in at least \$464,000 of cash being deposited into the State Treasury escrow account (unclaimed property) in FY15. This proposed law provides a procedure for the state to liquidate held U.S. Savings Bonds into cash to be deposited into the state's escrow account. The State Treasury currently has in its possession approximately 4,000 U.S. Savings bonds with a total face value of approximately \$464,000. The face value amount does not include the interest accrued on the bonds. Thus, once these bonds have been redeemed, the amount of funds actually transferred into the escrow account will be some amount more than \$464,000. The redemption value of U.S. Savings Bonds is determined by the series and date of issue and the bonds in the agency's possession range from 1980 through 2013.

Pursuant to R.S. 9:165, 93% of unclaimed property receipts are deposited into an escrow fund (from which unclaimed property claims are paid) and the remaining 7% is available to the State Treasury for administrative costs of the program. At the end of the fiscal year, the remaining funds in the escrow account (less a minimal amount that is annually kept in the escrow account to pay claims) are transferred to the state general fund and is a revenue resource forecasted by the Revenue Estimating Conference. This legislation will allow the treasurer to redeem the stock of U.S. Savings Bonds currently in its possession (convert to at least \$464,000 of cash), and do the same in occasional subsequent years as it accumulates bonds to a point sufficient to justify the legal expenses associated with establishing the state's ownership rights over the bonds. Transfers may not occur each year and would likely be relatively small when they do occur. According to State Treasury, the bill does not limit the ability of the original owner (or transferred owner) of the bonds to claim the proceeds generated from redeeming these bonds through the unclaimed property program, as with any other form of unclaimed property.

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|-----------------------------------------------------------------------------|----------------------------|--------------|--------------------------------------------------------------------------------------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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} |

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