

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4433-01
Bill No.: HB 1075
Subject: Property, Real and Personal; Treasurer, State
Type: Original
Date: January 28, 2014

Bill Summary: This proposal changes the laws regarding unclaimed property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Unknown	Unknown to (\$950,000 to \$2,850,000)	(\$950,000 to \$2,850,000)
Total Estimated Net Effect on General Revenue Fund	Unknown	Unknown to (\$950,000 to \$2,850,000)	(\$950,000 to \$2,850,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
*Abandoned Fund	\$0	\$0	\$0
State Schools Money Fund	Unknown	Unknown to (\$50,000 to \$150,000)	(\$50,000 to \$150,000)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown to (\$50,000 to \$150,000)	(\$50,000 to \$150,000)

* Losses and savings will net to \$0.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer (STO)** assume this proposal would allow businesses to keep certain business-to-business unclaimed property rather than turn it over to the state. Therefore, the proposal would reduce the amount of unclaimed property that is transferred from the Abandoned Fund to the General Revenue Fund and the State Schools Monies Fund each year.

STO officials estimated that the transfer from the Abandoned Fund Account to the General Revenue Fund would be reduced anywhere from \$1 million to \$3 million.

State law, specifically Subsection 2 of Section 447.543 of the Revised Missouri Statutes, requires that every time the Treasurer transfers money from the Abandoned Funds Account to General Revenue, 5% of that net amount must be transferred to the State School Money Fund. This in turn will mean an estimated \$950,000 - \$2,850,000 loss in the Abandoned Funds transfer to General Revenue, with a corresponding estimated \$50,000 - \$150,000 loss transfer to the State School Moneys Fund.

Oversight notes that the STO is required to transfer unclaimed property received from business holders to the General Revenue Fund if the owners do not claim it within one year. Therefore, if this proposal was enacted and became effective in August of 2014, any reduction in the amount of property received from businesses could begin in September 2014, and would be reflected in reduced transfers to the General Revenue Fund beginning in September 2015 (FY 2016).

For fiscal note purposes, Oversight will use the STO estimate of business unclaimed property.

Section 447.536 states payroll checks shall have the abandonment period reduced from five years to three years beginning January 1, 2015. Oversight assumes this will result in an unknown positive impact to the General Revenue Fund and the State School Moneys Fund for FY 2015 and FY 2016.

Officials from the **Office of the Secretary of State** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Transfer-In</u> - from Abandoned Fund § 447.536 - Abandonment period reduced from 5 years to 3 years	Unknown	Unknown	\$0
<u>Loss in Transfer</u> - STO Loss of money transferred from the Abandoned Fund Account.	<u>\$0</u>	(\$950,000 to <u>\$2,850,000</u>)	(\$950,000 to <u>\$2,850,000</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>Unknown</u>	Unknown to (\$950,000 to <u>\$2,850,000</u>)	(\$950,000 to <u>\$2,850,000</u>)
STATE SCHOOLS MONEY FUND			
<u>Transfer-In</u> - from Abandoned Fund § 447.536 - Abandonment period reduced from 5 years to 3 years	Unknown	Unknown	\$0
<u>Loss in Transfer</u> - STO Loss of money transferred from the Abandoned Fund Account.	<u>\$0</u>	(\$50,000 to <u>\$150,000</u>)	(\$50,000 to <u>\$150,000</u>)
ESTIMATED NET EFFECT TO THE STATE SCHOOLS MONEY FUND	<u>Unknown</u>	Unknown to (\$50,000 to <u>\$150,000</u>)	(\$50,000 to <u>\$150,000</u>)

FISCAL DESCRIPTION

This proposal specifies that any outstanding check, draft, credit balance, customer's overpayment, or unidentified remittance issued to a business entity or association as part of a commercial transaction in the ordinary course of business cannot be presumed abandoned if the holder and the business have an ongoing business relationship.

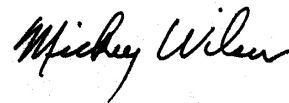
Beginning January 1, 2015, the abandonment period for a payroll check is reduced from five years to three years. Business credits between two business entities or associations will not be subject to Sections 447.500 - 447.595, RSMo, the Uniform Disposition of Unclaimed Property Act.

The State Treasurer must not enforce the provisions of Chapter 447 relating to lost and unclaimed property for a reportable period more than three years after the holder of the property filed a report with the State Treasurer or gave express notice of a dispute to the State Treasurer. If a fraudulent report is filed with the intent to evade escheatment of property, the State Treasurer can enforce these provisions within six years after the report was filed. If no report is filed, the State Treasurer may enforce these provisions at any time.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Treasurer
Office of the Secretary of State
Department of Insurance, Financial Institutions and Professional Registration



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Director
January 28, 2014

Ross Strope
Assistant Director
January 28, 2014