

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4433-03
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB 1075
Subject: Property, Real and Personal; Treasurer, State
Type: Original
Date: June 11, 2014

Bill Summary: This proposal modifies the law relating to 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 9 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

§§ 447.503, 447.535, 447.536, 447.547, & 447.548 - Abandoned Property:

Officials from the **Office of the State Treasurer (STO)** assume this proposal would change the way in which unclaimed property from business to business is reported to the STO, because any unidentified remittance would not be considered abandoned if there is an ongoing business relationship. 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 estimate that the transfer from the Abandoned Fund Account to the General Revenue Fund would be reduced anywhere from \$1 million to \$3 million each year.

STO notes Subsection 2 of Sec. 447.543 RSMo., requires that every time the STO 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 \$50,000 - \$150,000 transfer loss 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 FY15 and FY16.

ASSUMPTION (continued)

§§ 447.534 and 447.560 - Unclaimed U.S. Savings Bonds:

STO officials estimate this proposal changes the way unclaimed United States Savings Bonds are treated and reflects a positive change to General Revenue.

STO is unable to project with 100% accuracy the exact value of the bonds we hold. The current face value of approximately 7000 bonds is estimated at \$1,000,000.

STO would expect after filing suit against the United States Government and being awarded possession of the bonds, the State of Missouri would transfer the unclaimed savings bond funds from the Abandoned Funds account to General Revenue and the State School Moneys Fund in FY15.

STO estimates a \$950,000 transfer from the Abandoned Funds Account to General Revenue, with a corresponding \$50,000 transfer to the State School Moneys Fund.

STO notes this is a one time transfer to General Revenue because each time a claim for unclaimed savings bonds occurs a lawsuit must be filed against Federal Government. Currently the Federal Government is allowing these lawsuits, but in the future the STO is unsure if lawsuits will be permitted, how many savings bonds will be unclaimed, and the value of those unclaimed savings bonds.

For fiscal note purposes, **Oversight** will use the STO estimate of unclaimed savings bonds.

Bill as a Whole:

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

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
ABANDONED FUND ACCOUNT			
<u>Revenue - STO</u>			
§ 447.534 - Unclaimed Savings Bonds awarded to Missouri from the United States Government	Unknown	\$0	\$0
<u>Revenue - STO</u>			
§ 447.536 - Abandonment period reduced from 5 years to 3 years	Unknown	Unknown	\$0
<u>Savings - STO</u>			
§ 447.535 - Reduction in unclaimed property transferred to the General Revenue Fund and State School Monies Fund	\$0	\$1,000,000 to \$3,000,000	\$1,000,000 to \$3,000,000
<u>Transfer-Out - to General Revenue & State Schools Money Fund</u>			
§ 447.534 - Unclaimed Savings Bonds	Unknown	\$0	\$0
<u>Loss - STO</u>			
§ 447.535 - Reduction in unclaimed property transferred.	\$0	(\$1,000,000 to \$3,000,000)	(\$1,000,000 to \$3,000,000)
<u>Transfer-Out - to General Revenue & State Schools Money Fund</u>			
§ 447.536 - Abandonment period reduced from 5 years to 3 years	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE ABANDONED FUND ACCOUNT			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

* Reduction in unclaimed property transfers, abandoned check revenue and savings bond revenue will net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§ 447.535 - Abandoned Property:

This proposal would have a direct fiscal impact to small businesses which owe or are owed funds by other businesses.

FISCAL DESCRIPTION

§§ 447.534 and 447.560 - Unclaimed U.S. Savings Bonds:

This proposal requires United States savings bonds be deemed abandoned when they have remained unclaimed for more than 3 years after their date of maturity and shall escheat to the state 3 years after abandonment. At least 180 days after the bonds escheat to the state, the Treasurer shall bring a civil action to confirm that the bonds shall escheat to the state.

The Treasurer shall retain records of the names associated with such bonds that shall be made available for public inspection.

§§ 447.535 and 447.536 - Abandoned Property:

Under current law, certain personal property that is held or owing in the ordinary course of business that is unclaimed by the owner is considered abandoned after 7 years and is to be delivered to the state. Under the proposal, outstanding checks, drafts, credit balances, customers' overpayment, and any unidentified remittance are not considered abandoned if there is an ongoing business relationship.

Currently, the abandonment period for payroll checks is 5 years. This proposal reduces that period to 3 years beginning January 1, 2015.

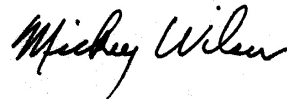
Provisions in sections 447.534, 447.560, & 447.584 carry an emergency clause.

FISCAL DESCRIPTION (continued)

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
Office of Administration - Division of Accounting
Office of the State Courts Administrator



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June 11, 2014

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