

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6310-01
Bill No.: SB 995
Subject: Property, Real and Personal; Treasurer, State, Property
Type: Original
Date: April 2, 2014

Bill Summary: This proposal exempts certain items from qualifying as 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 6 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 **Department of Insurance, Financial Institutions and Professional Registration**, the **Office of Administration** and the **Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations.

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.

<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 IMPACT - State Government
(continued)

FY 2015
(10 Mo.)

FY 2016

FY 2017

ABANDONED FUND ACCOUNT

Revenue - STO

Unknown

Unknown

\$0

§ 447.536 - Abandonment period
reduced from 5 years to 3 years

Savings - STO

\$0

\$1,000,000 to
\$3,000,000

\$1,000,000 to
\$3,000,000

Reduction in unclaimed property
transferred to the General Revenue Fund
and State School Monies Fund

Loss - STO

\$0

(\$1,000,000 to
\$3,000,000)

(\$1,000,000 to
\$3,000,000)

Reduction in unclaimed property
transferred.

Transfer-Out - to General Revenue &
State Schools Money Fund

(Unknown)

(Unknown)

\$0

ESTIMATED NET EFFECT TO THE

ABANDONED FUND ACCOUNT

\$0

\$0

\$0

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

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

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.

FISCAL DESCRIPTION (continued)

Under the act, 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 act reduces that period to 3 years beginning January 1, 2015.

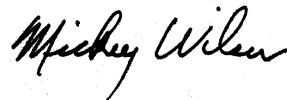
The act excludes business credits from being treated as unclaimed property. The term "business credits" is defined as "any credit offered by one business entity to another business entity to be applied in exchange for goods or services but does not have a redeemable cash value".

The act creates a statute of limitations for enforcement actions of 3 years from when a report is filed or when notified of a dispute. That limit is extended to 6 years if a fraudulent report is filed.

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
Department of Insurance, Financial Institutions and Professional Registration
Office of Administration
Department of Transportation



Mickey Wilson, CPA
Director
April 2, 2014

Ross Strobe
Assistant Director
April 2, 2014