



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #695

Unclaimed Property Base (State Treasurer)

[LFB 2003-05 Budget Summary: Page 390, #2]

CURRENT LAW

Under Chapter 177 of the statutes, intangible property in this state that has remained unclaimed for more than five years after it becomes payable or distributable is presumed abandoned and is required to be distributed by holders of that property to the State Treasurer. After deducting administrative costs, the net revenue received from the abandoned property are transferred to the common school fund. The State Treasurer is required to provide annual notice in each county of the names of the last-reported owners of unclaimed property that is newly reported each year.

GOVERNOR

Provide funding increases of \$363,000 annually for the following areas of the unclaimed property program: (a) \$73,000 for the increased costs of printing an annual newspaper notice in each county of the state regarding new unclaimed property which has been transferred to the custody of the state; (b) \$30,000 for the increased cost of printing brochures which are distributed to the business community to inform businesses of their responsibilities if they are holders of unclaimed property subject to the state's unclaimed property program; and (c) \$260,000 for the increased costs of auditing contracts with three private auditing firms which monitor companies headquartered outside of Wisconsin for compliance with the state's unclaimed property program.

DISCUSSION POINTS

1. The total budget for the unclaimed property program under SB 44 is \$1,399,900 PR in 2003-04 and \$1,400,700 PR in 2004-05. A total of 6.51 FTE's are allocated to the program. Included in these amounts is a total of \$1,004,400 PR in 2003-04 and 2004-05 for supplies and services costs associated with program operation. This includes the requested increase of \$363,000 PR approved by the Governor.

2. The agency's request, which was approved by the Governor, requested the increased PR funding of \$363,000 annually for the following areas:

	<u>Annual Increase</u>
Holder Reporting Costs	\$30,000
Unclaimed Property List Notifications	73,000
Audits of Property Holders	<u>260,000</u>
Total	\$363,000

These requested increases amount were developed by the agency by comparing its fiscal year 2001-02 actual costs in these areas with amounts listed in the agency operating budget for those items. Each of these cost increase categories is reviewed below.

3. Holder Reporting Costs. With the switch to requiring annual reports from holders of abandoned property, under 2001 Act 16 (the biennial budget), the Office has developed an annual unclaimed property reporting manual which is sent to property holders to inform them of their responsibilities and to provide sample reporting forms for the holders to use when submitting their required reports. The fiscal year 2001-02 costs (the first year for these new reports) for preparation and mailing of these manuals were approximately \$13,000 and the costs of temporary help to enter this data into the Office's unclaimed property database were approximately \$17,000. No money was budgeted for this purpose in the last budget and funding was obtained by means of an allotment increase approved by DOA for the continuing appropriation that funds this program. The agency request for a \$30,000 increase was based on these 2001-02 costs. However, actual costs for 2002-03 for holder reports were only \$8,000 compared to initial costs of \$13,000. The Committee could reduce the budget request for this item by \$5,000 PR annually to reflect the more recent experience after the first year of development of the reports.

4. Unclaimed Property List Notifications. This component of the increase, totaling \$73,000 PR annually, was based on funding increases for publication of notices in each county of lists of the new unclaimed property forwarded to the Treasurer's Office in the most recent year. The agency projects that expected increases in newspaper costs for publishing such notices would require a base increase of \$48,000 PR annually. As a part of this notification process, the Office establishes a temporary answering service (whose number is listed in the notices) to receive initial claims from persons who believe they may have a claim to unclaimed property on the list. This service is expected to cost an additional \$10,500 PR annually. The third element of the requested increase in this area is for \$14,500 PR annually for payment to have the state program be listed on a

national unclaimed property website. This website has a search mechanism to allow an inquirer to determine if a property holder's name is shown in any state unclaimed property program that participates in the program. The site appears to essentially provide a link to the state website, except for the search engine capability. The agency had no money in its operating budget for this item. It apparently used funds out of its existing base for this purpose. The understood rationale for the state also providing access to the national website is that it is a convenience for persons in Wisconsin who may want to determine if there might be unclaimed property in Wisconsin or other states to which they are entitled. The question may be raised whether there is a necessity for this expenditure. The Committee could delete the requested funding of \$14,500 PR annually for state participation in this national website.

5. Audits of Out-of-State Property Holders. The State Treasurer's Office has contractual arrangement with three national firms that provide services to state unclaimed property programs. Under this arrangement, if a given state has requested the contractor to audit a likely holder of unclaimed property (such as financial institutions and large corporations, for instance), the contractor will review the unclaimed property holdings of such entities for possible unclaimed property belonging to Wisconsin residents if the state has an agreement to pay a fee (12% of the value of any unclaimed property found) to the contractor. The Treasurer's Office has such agreements with three contractors. The amount required each year for this purpose will vary depending on the number of companies examined and the amount of unclaimed property of Wisconsin residents that is found as a result of the audit. The requested increase in budget is for an additional \$260,000 PR annually. This increase is based on the amount of increase in actual expenditures in fiscal year 2001-02 compared to 2000-01. Total expenditures in 2001-02 were \$479,000 or almost \$260,000 more than 2000-01 expenditure levels. However, 2002-03 expenditures are currently estimated to total approximately \$411,000 or only about \$191,000 more than 2000-01 expenditures. The Committee could provide an increase equal to the average of these two year increases or \$225,500 annually. It could reduce the request in this area by \$34,500 PR in each year.

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendations by deleting any of the following:
 - a. \$5,000 PR annually from the amount requested for increased holder reporting costs;
 - b. \$14,500 PR annually requested for participation in the national missing money website;
 - c. \$34,500 PR annually from the amount requested for increased fee charges for audits of non-Wisconsin holders of unclaimed property of Wisconsin residents.

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