



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #701

Unclaimed Property Program - Abandoned Demutualization Property Workload Costs (State Treasurer)

[LFB 2005-07 Budget Summary: Page 456, #3 (part)]

CURRENT LAW

The unclaimed property program is one of three programs operated by the State Treasurer's Office. The program is responsible for maintaining custody and records for all property received by the Office under the uniform unclaimed property act and the general escheat laws of the state. The adjusted base budget for the separate PR appropriation for the unclaimed property program is \$1,390,500 PR and the program has an authorized FTE complement of 4.75 positions plus 2.0 project positions that expire at the end of fiscal year 2004-05.

GOVERNOR

Provide \$242,900 PR in 2005-06 and 6.0 one-year project positions to assist in processing abandoned insurance company demutualization properties (primarily cash and stocks) that are expected to be received in fiscal year 2005-06. Also provide, in 2005-06, funding of \$885,000 PR for associated increased supplies and services costs associated with the processing, handling, retention and disposition of these properties, including advertising of the new unclaimed property. In 2006-07, no funding for project staff is provided, but funding of \$600,000 PR for similar supplies and services costs is provided, but placed in unallotted reserve, subject to release upon the approval of DOA.

DISCUSSION POINTS

1. At the time of the preparation of its 2005-07 budget request last fall, the State

Treasurer's Office had indications that additional demutualization property holdings in other states that would be reportable to Wisconsin and likely be presented in the next two annual reporting periods could total \$60 million in 2005-06 and an additional \$30 million in 2006-07. Based on those potential presentments, the Office developed cost estimates for additional supplies and services costs it would likely incur as a result of increased processing costs. The supplies and services costs included funding for additional fee charges from the custodial bank for the holding of the received securities, increased costs due to the additional unclaimed properties listings that would need to be advertised, and increased call center and mailing costs associated with the handling of an increased number of claims associated with additional unclaimed properties being submitted to the state.

2. The total funding amount as requested by the Office in its budget request included funding for additional permanent and project staff for the unclaimed property program and the funding described here for increased supplies and services cost associated with increased number of properties (primarily cash and stocks) that were expected to be received.

3. Under the Governor's recommendation, additional staffing for the program is limited to the funding for 6.0 additional one-year project positions. However, the Governor's recommendation included the total increased supplies and services funding as requested by the agency. The portion of that funding that relates to recovery fees charged by outside auditing firms is discussed in a separate issue paper. The portion of funding related to the increased supplies and services costs is the subject of this issue paper.

4. The increased supplies and services costs were all developed based on the Office's initial estimates of the potential receipt of additional abandoned demutualization properties totaling as much as \$60 million in 2005-06 and an additional \$30 million in 2006-07. Now, however, based on updated information, the Treasurer's Office anticipates that the likely level of demutualization presentments for holdings outside of Wisconsin will be approximately \$30 million in 2005-06 and that no new presentments would be likely in 2006-07. As a result of this reduction in the estimated level of new demutualization properties that are expected to be received, a reduction in level of increased supplies and services funding is also possible. In general, increased supplies and services costs are proportional to the total projected number of the additional claims that need to be processed. The Office estimates that the total number of new properties just from this expected demutualization could total 62,000, of which approximately 60% are expected to result in a claim inquiry that will require processing.

5. A revised estimate of increased supplies and services costs for 2005-07 provided by the Treasurer's Office indicates that funding for handling of demutualization claims would require a total of \$176,500 PR in 2005-06 and \$402,700 PR in 2006-07. The funding is needed for the following cost categories: (a) publication of names of owners of unclaimed property (\$229,400); (b) increased custodial bank charges (\$257,000); (c) claims mailing costs (\$42,000); (d) call center costs (\$20,800); and (e) other miscellaneous costs (\$30,000). These cost estimates are in contrast with the supplies and services costs that were included in AB 100 of \$885,000 PR in 2005-06 and \$600,000 PR in 2006-07. The Committee could, based on these new estimates, reduce the funding

level in AB 100 for these purposes by \$708,500 PR in 2005-06 and by \$197,300 PR in 2006-07.

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation with regard to supplies and services workload costs by decreasing the supplies and services funding amounts for 2005-06 by \$708,500 PR and by decreasing the supplies and services amount within unallotted reserve for 2006-07 by \$197,300 PR.

Alternative 2	PR
2005-07 FUNDING (Change to Bill)	- \$905,800

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