



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #702

Outsourcing of Unclaimed Property Program (State Treasurer)

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

CURRENT LAW

One of the three programs operated by the State Treasurer's Office is the unclaimed property program. 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 this program is \$1,390,500 PR and the program has an authorized FTE complement of 4.75 positions plus 2.0 project positions which expire at the end of fiscal year 2004-05.

GOVERNOR

In addition to base budget increases of \$294,200 PR for the program, provide increased funding for dealing with increased workload due to abandoned insurance companies demutualization properties (primarily cash and stocks) of \$1,127,900 PR and 6.0 one-year project positions in 2005-06. Further, provide \$600,000 PR, but no additional staff, in 2006-07 for non-staff similar costs in 2006-07 but with the funding placed in unallotted reserve for release by DOA pending its study of the feasibility and advantages of outsourcing the Office's entire unclaimed property function.

DISCUSSION POINTS

1. There is no language in the bill detailing the procedures or timetable to be followed by DOA in conducting the contracting out review. The State Budget Office indicates that the specific review steps to be included in the study are yet to be determined. However, it is anticipated that the review would be conducted by DOA staff since no contractual services funds have been

budgeted for the study.

2. In public testimony before the Joint Committee on Finance, the State Treasurer indicated that that Office had already studied this issue and found it would be more expensive to contract out. However, that conclusion was premised on a preliminary estimate provided by a firm that does claims processing for some other states.

3. The firm indicated to the State Treasurer's Office that a tentative cost for the firm to handle claims processing for the Office would be between \$24 and \$30 per claim if charged on a per claim basis. However, the firm also indicated that other types of fee structures were possible. The Treasurer's Office indicates that this is higher than what it believes is its estimated per claim cost of approximately \$18 per claim. However, it needs to be noted that in both cases, details of what specific functions and responsibilities would be assigned to the contractor and which would remain with the Treasurer's Office, and what the precise costs of those respective functions are or would be, would need to be detailed for complete cost comparison purposes. Also, a more detailed cost estimate from both potential contractors and the Treasurer's Office would be needed for purposes of accurate cost comparisons. Finally, it is presumed that Treasurer's Office would, in any case, have to retain some program responsibilities under a contracted out function, such as ultimate responsibility for processing of claims payments and custodial responsibilities.

4. The Governor has provided increased funding for continued operation of the program in 2006-07, including the \$600,000 PR for supplies and services costs and funds for audit firm recovery fees placed in unallotted reserve. However, those unallotted reserve funds do not include any funding for continuation of the 6.0 project staff or any other funding that might be required if the unclaimed property function were to be contracted out. Under the Governor's recommendation, following the study, determinations would have to be made whether to take steps to contract out the function or to continue some or all of the program activities with state and to decide what additional resources the Treasurer's Office might require in 2006-07 and on an on-going basis. However, under the budget, the release of these unallotted funds would be at the sole discretion of DOA. It is unclear how or when a shift to contracting for these services would occur if that were the conclusion of the DOA report or how additional resources if required are to be provided. Presumably, State Treasurer's Office and DOA could seek supplemental funding under s. 16.515 if that were determined to be necessary.

5. It could be argued, however, that the Committee and the Legislature should have a role in determining whether this is a function that should be contracted out. At the same time, it could be argued that there may be benefits to a more detailed review of the issue, so long as the findings of the study and the Treasurer's Office response are shared with the Committee before a decision is made.

6. The Committee could approve the Governor's recommended approach regarding funding for this program in 2006-07 and a study by DOA.

7. Alternatively, the Committee could ensure Committee review of the study and final

decision as to whether to contract out or not by placing all of the proposed increased funding for unclaimed property program in 2006-07 (a total of \$4,512,600 PR excluding standard budget adjustments under the Governor) in the Committee's supplemental PR appropriation reserved for this purpose. The Committee could do this with the understanding that the Office could then request release of the funds for 2006-07 by submitting a request to the Committee, under a 14 day passive review, and including the findings and recommendations of any study provided by DOA and any alternative cost information that that State Treasurer's Office has developed.

ALTERNATIVES

1. Approve the Governor's recommendation.

2. Transfer in 2006-07 a total of \$4,512,600 PR from the State Treasurer's Office's appropriation for unclaimed property [s. 20.585(1)(k)] to the Committee's PR supplemental appropriation [s. 20.865(4)(g)] with the understanding that the funding may be released to the Office under a 14-day passive review process following a submittal to the Committee by that Office of a funding request that includes an identification of need, the findings and recommendations of any study, conducted by DOA, on the outsourcing of the unclaimed property program and any alternative cost information that the State Treasurer's Office has developed.

3. Maintain current law.

Alternative 3	PR
2005-07 FUNDING (Change to Bill)	- \$4,512,600

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