



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #540

Unclaimed Property Permanent Project Positions (Revenue -- Departmentwide)

[LFB 2017-19 Budget Summary: Page 382, #2]

CURRENT LAW

The Department of Revenue (DOR) is responsible for administering the state's unclaimed property program. The program is provided \$4,321,200 PR and 5.95 PR positions in 2016-17 from unclaimed property program revenue. Position authority for 2.0 unclaimed property representatives is scheduled to end June 30, 2017.

GOVERNOR

Provide \$90,300 PR annually for salaries and fringe benefits and extend 2.0 permanent project positions for the unclaimed property program from an end date of June 30, 2017, to June 30, 2019.

DISCUSSION POINTS

1. Under Chapter 177 of the statutes, property is generally considered to be abandoned or unclaimed if the owner does not have active contact with the holder of the property in one to five years, depending on the type of property, and if the holder of the property has been unable to contact the owner of the property. A holder of unclaimed property is generally a financial institution, insurance company, publicly-traded corporation, or a similar institution. Unclaimed property typically includes contents of safe deposit boxes, wages, bank deposits, travelers checks or money orders, stock and other intangible interests in business associations, and distributions caused by certain insurance company activities. A holder of unclaimed property is required to report annually to DOR on the unclaimed property in the holder's possession. If a property owner cannot be located,

the value of the property is applied to the owner's account for future claims by the owner's heirs, and the proceeds of the property are deposited to the Common School Fund.

2. The positions that would be extended two years under the budget provision were first authorized under the 2005-07 biennial budget bill and have been extended or otherwise reauthorized under each subsequent budget bill. Initially, 6.0 one-year project positions were provided in 2005-06 to the Office of State Treasurer (which administered the program at the time) to address what was expected to be a temporary workload issue associated with processing abandoned insurance company demutualization properties. The Joint Committee on Finance approved a request under passive review from the State Treasurer to authorize 4.0 positions through June 30, 2007. Position authority for 4.0 two-year unclaimed property project positions was provided under both the 2007-09 and 2009-11 budget acts.

3. Under statute, a project position is defined as a position which is normally funded for six or more consecutive months and which requires employment for 600 hours or more per 26 consecutive biweekly pay periods, either for a temporary workload increase or for a planned undertaking which is not a regular function of the employing agency and which has an established probable date of termination. A project position may not exist for more than four years.

4. Under the 2011-13 budget act, 4.0 permanent positions were created with an end date of June 30, 2013. The positions were extended for an additional two years under the 2013-15 budget act, 2013 Act 20, which also transferred administration of the program and 2.0 of the permanent project positions to DOR. Finally, under 2015 Act 55, the 2.0 positions under DOR were extended an additional two years and the 2.0 positions under the Office of State Treasurer were removed under the standard budget adjustment for non-continuing elements. The remaining 2.0 permanent project positions in DOR, which currently have an end date of June 30, 2017, appear to be needed on an ongoing basis to maintain the current level of service in terms of returning unclaimed property to its owners.

5. The Department of Revenue estimated that removal of the two expiring positions could reduce the amount of unclaimed property returned to owners by \$5 million to \$10 million annually. Additionally, if funding for the positions is not provided, expenditures of unclaimed property program revenue for program administration would be reduced. Under Article X, Section 2 of the Wisconsin Constitution, the clear proceeds of all fines and forfeitures (including unclaimed and escheated property) are deposited to the Common School Fund. Therefore, the expected decrease in unclaimed property being returned to its owners and reduced administrative expenditures could result in a corresponding increase in revenue to the Common School Fund.

6. However, the Department of Revenue indicates the potential effect of not approving the positions would be uncertain for the following reasons: (a) while DOR believes some amount of unclaimed property may not be returned to owners with only 1.0 unclaimed property representative, it would be cautious in assuming the amount of the reduction when depositing unclaimed property program revenue to the general fund under s. 177.23(2) of the statutes associated with paying claims; and (b) the agency could be sued if it were not able to meet timelines required under statute for processing claims (90 days after filing), which could increase administrative expenses. Additionally, the Department indicates that because the purpose of the unclaimed property program

is to reunite owners with their property, it could be argued that the state would not be fulfilling the statutory purpose of the program if position authority is insufficient for processing claims in a timely manner.

7. Given that the positions continue to be necessary to maintain the current level of service in returning unclaimed property to its owners and that DOR believes with fewer staff it could be subject to legal complaints that is not fulfilling the statutory purpose of the program, the Committee could choose to approve the Governor's recommendation to extend the end date of the 2.0 permanent positions under DOR. [Alternative 1] It could further be argued that, if the positions are necessary to maintain the current level of service for the program and the work is not temporary in nature, the positions should not have an end date. Therefore, the Committee could choose to approve the provision of funding and position authority and remove the end date for the positions. [Alternative 2] On the other hand, choosing to delete the provision, while having the potential effect of returning less unclaimed property to its owners, could also result in additional revenue being deposited to the Common School Fund. Therefore, the Committee could delete the provision. [Alternative 3]

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$90,300 PR annually for salaries and fringe benefits and extend 2.0 permanent project positions for the unclaimed property program from an end date of June 30, 2017, to June 30, 2019.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$180,600	2.00	\$0	0.00

2. Modify the provision by removing the end date for the positions to establish them as permanent positions.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$180,600	2.00	\$0	0.00

3. Delete provision.

ALT 3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	-\$180,600	- 2.00

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