



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #696

Unclaimed Property Program Administrative Appropriation (State Treasurer)

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

CURRENT LAW

The administrative expenses of the unclaimed property program are paid from a continuing PR appropriation that is used both for the payment of claims filed for previously unclaimed property that claimants believe they have a right to and for the administrative costs of the program.

GOVERNOR

Increased funding of \$363,000 PR annually is provided in the continuing appropriation.

DISCUSSION POINTS

1. In general, administrative appropriations are established as sum certain, annual appropriations. As such, the spending level set in the budget may not be exceeded by the agency unless increased by the Legislature or the Joint Committee on Finance. In contrast, under a continuing appropriation, the amounts in the appropriation schedule are not controlling. Rather, the agency can expend any amount for which it has sufficient revenues to support the expenditures, subject to the approval only of the Department of Administration.

2. Appropriations to pay monies to individuals or entities in amounts that may vary from year to year depending on demand are often established as open-ended appropriations denominated as either sum sufficient or continuing depending on the nature of the underlying source of revenue support. The more typical structure is to have such appropriations be distinct from any appropriation to be used for administrative purposes so as to allow the Governor and Legislature to establish the level of funding for administrative purposes.

3. As requested by the agency and approved by the Governor, an increase of \$363,000 PR annually is proposed in this continuing appropriation for increased administrative costs of the program. In reviewing the increase, it was indicated that the costs being incurred in the 2001-03 biennium were expected to continue to be required in the 2003-05 biennium.

4. This continuing appropriation was budgeted in the current biennial fiscal period at a total of \$996,600 in both 2001-02 and 2002-03. Actual expenditures (plus encumbrances) in fiscal year 2001-02 totaled \$1,338,367 PR, or \$341,767 more than the budgeted level. Since this is a continuing appropriation, such increases are permissible with only the approval of the State Budget Office. The agency received increased allotment authority of a total of \$354,500 in fiscal year 2001-02.

5. The major portion of the increase allotment authority was for projected increased supplies and services costs associated with the operation of reporting, notification and auditing aspects of the unclaimed property program. In February, 2002, the State Treasurer's Office submitted an initial request for increased funding authorization totaling \$328,500 PR for costs associated with: (a) reporting by unclaimed property holders (\$14,500); (b) annual dissemination of a list of new additions to the unclaimed property base (\$144,000); and (c) increased assessment fees by three auditing entities that examine potential unclaimed property holdings in other states (\$170,000).

6. The issue of this paper concerns the nature of the appropriation type for the administrative expenses of the unclaimed property. The current use of a single appropriation to pay for two different appropriation purposes could be questioned. Currently the practice for the payment of claims under this appropriation is to make an expenditure charge against the revenues coming into the program, that is, to treat the expenditures as, in effect, negative revenues. According to the State Controller's Office, this is an acceptable practice. However, if that is the practice, then the need for a continuing appropriation for that purpose might be questioned. However, such an appropriation would be needed if actual payments are expensed against the appropriation rather than as a deduction from revenues.

7. The Committee could change the current appropriation structure to address the two separate purposes that are specified for the existing appropriation. The revenues to support this appropriation represent the gross cash inflow each year into the unclaimed property holdings of the State Treasurer. Previously, the agency periodically transferred the net cash value of the unclaimed property received – after withholding a reserve for claims payments -- to the common school fund. Currently, at the suggestion of the State Auditor, a transfer is made to the common school fund once each six months. Under this change, one appropriation could be established to receive these revenues and to also allow the payment of claims filed for redemption of unclaimed property. This appropriation would need to be open-ended and could be the same type of appropriation as the current continuing PR appropriation. A second appropriation could then be established to be used solely for the payment of the administrative expenses of the program. This could be a sum certain, annual appropriation set at the level as determined by Finance Committee review.

8. Under the current continuing appropriation, there is no legislative review of increases over the budgeted levels. Further, it could be argued that agency operations would not be severely impaired under a sum certain administrative appropriation since any needed increases in such a PR appropriation could be addressed by the Committee under a 14-day passive review process.

9. The Committee could modify the bill to repeal the current appropriation and create two new appropriations: (a) one for receipt of gross revenues under the program and for claims payments that would be a continuing appropriation; and (b) a second appropriation that would be a sum certain, annual appropriation that would have funding set at the amount approved by the Committee for this program's administrative operations.

ALTERNATIVES

1. Repeal the current appropriation for the unclaimed property program. Instead, create two new appropriations: (a) one, a continuing appropriation for initial receipt of all revenues under the program and for payment of any claims received under the program; and (b) the second, a sum certain, annual appropriation for payment of administrative expenses of the program. Provide that the level of funding established in the administrative appropriation be funded by transferring that level of funds from the gross revenues received under the continuing appropriation. Provide that the funding level in this sum certain appropriation be as approved by the Committee. The amount in the continuing appropriation would be budgeted at zero, assuming that the agency will continue its current practice of netting claims payments against gross revenues.

2. Make no change to current law.

Prepared by: Terry Rhodes