

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◊ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sSB-379

AN ACT CONCERNING THE UNCLAIMED PROPERTY PROGRAM.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$
Resources of the General Fund	GF - Revenue Loss	7 million
Treasurer	Unclaimed Property Expenses Account - Revenue Gain	7 million
Resources of the General Fund	GF - Cost Avoidance	Up to 7 million
Treasurer	Unclaimed Property Expenses Account - Cost	Up to 8.6 million
Resources of the General Fund	GF - Precludes Revenue Loss	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes several changes to the State Treasurer's unclaimed property program, including creating a new non-lapsing account for administrative expenses of the program, which results in the following fiscal impacts.

Deposit of Funds in the Unclaimed Property Expenses Account

Beginning in FY 23, the Treasurer is required to deposit a portion of the property received for the unclaimed property program from the

Primary Analyst: EMG
Contributing Analyst(s):

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preceding fiscal year into the unclaimed property expenses account. In FY 23, the required deposit from FY 22 unclaimed properties is \$7 million, which results in reduced revenue to the General Fund and increased revenue to the unclaimed property administrative expenses account. Deposits beyond FY 23 are required to match the amount deposited in the preceding fiscal year as adjusted according to the consumer price index annually.

Administrative Costs of the Unclaimed Property Program

The bill requires the administrative expenses of the program be paid from the unclaimed property expenses account. Previously, such expenses were paid from the resources of the General Fund, with recent annual amounts of up to \$7 million, which reduces costs to the General Fund and increases cost to the new account. To the extent that the required deposit may be higher than previous administrative costs, this represents a minimal loss in General Fund revenues.

The bill also changes administrative requirements of the program. Requirements to automatically pay abandoned property amounts of less than \$2,500 when the owner can be verified and mailing notifications are expected to increase administrative expenses up to \$1.6 million annually, to an annual total of up to \$8.6 million. The bill makes no provision for how administrative expenses in excess of the balance of the unclaimed property expenses account are to be paid, having removed the requirement that administrative expenses be paid from the General Fund. It is unclear how the additional cost would be paid.

Unclaimed Property Revenues

Under current law, unclaimed property is a revenue to the state, with a portion of the revenue directed to the Citizen's Election Fund and the remaining revenues deposited in the General Fund. Claims paid to property owners reduce the revenue deposits to the General Fund. Over the last 10 years, gross revenues have averaged approximately \$125 million annually, while claims have averaged approximately \$60 million annually, with the difference representing revenues accrued to

the Citizen's Election Fund (\$12.3 million in FY 21) and the General Fund.¹

The bill eliminates the requirement that claims be paid from the General Fund, but does not provide an alternative revenue source for claims. This precludes a revenue loss in the General Fund, but creates an unfunded liability based on claims to the fund.

Increased Claims Paid

Several of the changes in the bill are likely to result in higher amounts of claims paid in the future, including the required automatic payment to verified property owners and greater notification of potential property owners. This results in a revenue loss of unknown magnitude to whatever source claims may be paid from.

The bill also requires that all approved claims for property, rather than specified types under current law, be paid with interest for properties delivered to the Treasurer on or after January 1, 2023. This results in an increase of revenue loss based on claims paid, though it is unclear how interest can be calculated on certain unclaimed property, including tangible goods or non-liquidated securities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number and amount of unclaimed property deposits and claims and inflation.

¹ Source: <https://portal.ct.gov/-/media/OTT/Newsroom/Reports/123021-2021-Annual-Report-Final.pdf>