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CONNECTICUT STATE TREASURER

Senator Flexer, Representative Blumenthal, Senator Sampson, Representative Mastrofrancesco, and distinguished members of the Government Administration and Elections Committee, thank you for the opportunity to submit testimony regarding **Senate Bill 382** An Act Modifying the Process for Claiming and Returning Unclaimed Property Held by the Treasurer.

I appreciate the committee's focus on this critical program and share its goal of reuniting rightful owners with their escheated property. Within the first four weeks of taking office, I announced my plans to improve the state's unclaimed property program. In addition to implementing the changes enacted by the General Assembly last session, my team is working on leveraging new technology to reduce the need for manual review and intervention, which can cause a delay in paying claims. Automating systems will have a substantial impact on the claims process, as will hiring additional staff to review and process claims faster and communicate directly with constituents. This bill would pose a challenge to these efforts, creating requirements that are difficult to implement and may divert resources from the progress currently underway.

First, the bill would require the posting of the type of property and the estimated value of the property to the CTBigList. Currently, a claimant can quickly receive an itemized listing of type and value of property by beginning the claims process through the CTBigList website and providing initial proof of identification. Unfortunately, those with ill intent often search unclaimed property databases in hopes of posing as a rightful owner and stealing what is not theirs. Posting these details publicly will increase the incidents of fraud, which is already on the rise throughout the country. It is imperative that we balance convenience with protecting the property to which we have been entrusted.

Second, this bill would enable any unclaimed property of less than \$5,000 owned by one owner to be claimed by the owner through the CTBigList without requiring any paper claim forms, notarization, or any supporting documentation if their identity can be reasonably verified by the Treasurer. Requiring only a reasonable standard while prohibiting the office from requesting supporting documentation will increase the number of fraudulent claims and payments made in error. Currently, for most claims, there is no notarization required. There also are not any paper claim forms for most claims. Only if additional information is required to substantiate a rightful owner of a claim will we request documentation in paper form. While we have implemented a mostly paperless process and continue to further modernize our technology, I urge the committee to

allow the office the flexibility to require additional documentation and notarization as needed in order to ensure property is returned to its rightful owner.

In addition to the requirements above, the bill would raise the threshold for automatic return of unclaimed property from \$2,500 to \$5,000. The automatic return program became effective January 1 of this year. Increasing the threshold is a reasonable and achievable goal, however I would strongly recommend observing the effects of the more recent changes to monitor their effectiveness and instances of fraud before subjecting more claims to an automatic approval process.

This section also requires that the Treasurer determine ownership using a preponderance of the evidence standard. It is unclear whether this standard would apply to all ownership determinations or only to those made for claims under \$5,000 that are paid automatically. The standard for approving claims, whether through an automatic system or otherwise, should be one that mitigates error and protects the rights of true owners. Further, preponderance of evidence is a legal standard that unclaimed property staff is not trained to apply. I understand the intent is to lower the threshold for approving claims, but this language would add confusion and possible delays to the process.

The bill would also grant the Treasurer access to the state taxpayer and corporate registration data held by state agencies to facilitate the return of unclaimed property. Access to additional information to confirm identifying information for claimants would be welcome but would require significant time and resources as the office would need to build a system to allow the data to be uploaded and cross referenced. The system would require the capacity to cross-reference 8 million records, which can change every month. In order to implement such a change, additional resources would be necessary as well as the development of data sharing through system bridges with relevant state agencies.

Additionally, the bill would grant the Treasurer access to state agency data regarding delinquent taxes or fees owed to the state or delinquent child support payments for purposes of paying a portion or all of such taxes, fees or payments with any applicable unclaimed property of the taxpayer or individual. Under current law, the Department of Social Services (DSS) is already required to disclose to the Treasurer information necessary to identify child support obligors who owe overdue child support. This means that before any approved claim is sent for payment, Unclaimed Property Division staff manually search the database of obligors provided by DSS for a potential match. This manual procedure, which is contemplated as the process to pay delinquent taxes under Section 4 of the bill, adds significant time and multiple steps to the claims process and requires substantial staff time and resources. The office is currently and aggressively working with DSS to upgrade this process so that the procedure is more efficient and streamlined. Once these processes are in place, we can use it as a pilot process to replicate it across data provided by other agencies. I would urge the committee to allow for the full implementation of and experience with these upgrades before

adding other agency data to be cross-referenced.

Aside from the process upgrades, this section potentially presents constitutional issues as it authorizes the state to take property without due process of law. Currently, once DSS is notified of an obligor with unclaimed property, it secures a lien on the property in court. Allowing the confiscation of an individual's property without any judicial review runs afoul of the Fifth Amendment Takings Clause.

Section 8 of the bill would require the Treasurer to determine any unclaimed municipal property of at least \$100 and annually transfer such property to the municipality along with notice of such transfer. Unfortunately, it would not be possible to automatically return escheated property as this section contemplates because we are often not able to confirm that the municipality is the rightful owner as the statute currently requires. For example, a holder may report a surety bond as unclaimed by Town A, but Town A is not the rightful owner if the contractor completed the work. Refund checks are also often reported as unclaimed by a municipality, but are the rightful property of a taxpayer. However, we are currently working administratively to educate and connect municipalities with their unclaimed property, including expanded direct outreach, and we continue to explore ways to raise awareness among cities and towns about the program.

The final section of this bill would authorize a registered nonprofit organization to be granted ownership of any property owned by a branch, chapter or constituent organization of the nonprofit organization under certain conditions. Similarly, the bill also grants ownership to a registered nonprofit organization of any unclaimed funds that were collected on behalf of the organization. These provisions are particularly problematic as they violate the primary tenet of the unclaimed property system — returning property to its rightful owner. Although property is escheated to the state, it remains the property of the owner.

Thank you for the opportunity to submit testimony regarding **S.B. 382**. While I commend the commitment of its authors to enhance the effectiveness of the unclaimed property program, I urge the committee to allow the reforms and improvements already underway or envisioned by my office time to be implemented and evaluated before making additional legislative changes. As always, my office is available to answer any questions you may have.