

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	85,000		103,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	85,000		103,000	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 141 is the Revised Uniform Unclaimed Property Act.

Section 2 provides definitions for the Act.

Section 4 requires the State Treasurer to adopt and promulgate rules and regulations to implement and administer the Act.

Section 5 provides a schedule of presumed abandonment for certain types of property.

Section 6 addresses property held in a pension account or retirement account that qualifies for tax deferral under the income-tax laws of the United States.

Section 7 addresses property held in a plan described in 529A of the Internal Revenue Code, 26, U.S.C. 529A, property held in an account or plan, including a health savings account, that qualifies for tax deferral under the income-tax laws of the United States.

Section 8 addresses property held in an account established under a state's Uniform Gifts to Minors Act or Uniform Transfers to Minors Act.

Section 9 addresses tangible property held in a safe deposit box and proceeds from a sale of the property by the holder permitted by law of this state.

Section 10 addresses the net card value of a stored-value card, other than a payroll card or a gift card.

Section 11 addresses gift certificates or cards which are not assessed any fees and do not have an expiration date.

Section 12 addresses a security.

Section 17 through 23 establish rules for the Act regarding the disposition of property that is presumed abandoned.

The State Treasurer estimates the need for 0.5 FTE for fiscal year 2017-18. That position is annualized to 1.0 FTE for fiscal year 2018-19. In addition, the Treasurer estimates benefits and operating costs in support of the FTE and the bill's provisions in general. The total estimate is \$85,000 for fiscal year 2017-18 and \$103,000 for fiscal year 2018-19. The substantial increase in the second year is due to the bill's operative date of July 1, 2018. These estimates appear to be reasonable.

In addition to the costs associated with operating the program, the Treasurer has identified approximately \$500,000 in fiscal year 2018-19 that would come out of the Unclaimed Property Trust Fund. These dollars are not appropriated, and therefore NOT shown in the table above. This is the estimate of property that will be returned to owners due to the bill's provisions.

The Treasurer also estimates \$250,000 in reduced revenue for the Unclaimed Property Trust Fund. Again, since these dollars are not appropriated, they are not shown in the table above. This is the estimate of decreased property that will flow into the Unclaimed Property Trust Fund under the bill's provisions.

There is no basis to disagree with these estimates.

REVISED

Please complete ALL (5) blanks in the first three lines.

2017

LB⁽¹⁾ 141

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ February 1, 2017 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>\$85,000</u>	_____	<u>\$603,000</u>	<u>-\$250,000</u>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$85,000</u>	_____	<u>\$603,000</u>	<u>-\$250,000</u>

Explanation of Estimate: The unclaimed property program is an internally funded program that utilizes no general fund dollars. After unclaimed property is returned to the rightful owner, when found, the residual funds pay the expenses of administration and any remaining funds are deposited in the Perpetual School Fund. During the last five years, the State Treasurer has returned \$57.6 million of unclaimed property to Nebraskans who were rightful owners and transferred \$55.7 million to the School Fund.

This fiscal estimate includes the salary and related benefits of an additional Unclaimed Property staff member to fulfill the new administrative duties required by the bill, primarily the new obligation to return to the rightful owner not only unclaimed securities but also any accrued dividends or interests associated with those securities. The largest fiscal impact from LB141 is the new requirement that when securities are received by the State Treasurer and ultimately returned to the rightful owner, the Treasurer must include any dividends and interests associated with the securities. This new requirement will require a new staff person and additional computer support. In addition, the return of dividends that accrued on a security and interest earned on bank accounts will result in approximately \$500,000 additional payments made to the rightful owners but will result in a corresponding reduction in residual funds for the School Fund. The return of dividends is estimated at \$250,000 annually, plus \$70,000 for a new staff member to manage the dividends. The return of interest is estimated at \$250,000 annually, plus website improvements of \$50,000 in FY 17-18 and ongoing website maintenance of \$20,000 beginning in FY 18-19. Thus, most of the increased expenditures shown in this fiscal note actually represents funds returned to the rightful owners.

The Operating expenses Funds are for newspaper ads to be placed in a paper of general circulation in each county twice annually and funds for website maintenance and improvements are also included. The website upgrades and improvements, estimated at \$50,000 should all take place in FY 17-18, while website maintenance, estimated at \$20,000, should all take place in FY 18-19. The newspaper ad expenses, estimated at \$13,000, should all take place only in FY 18-19.

Though the precise impact is not known, the Nebraska State Treasurer's Office believes the limited lookback period for the auditing of unclaimed property holders will lessen the amount reported by auditors due to the smaller scope of the examination. We estimate annually we will receive \$250,000 less than what is reported under current law.

Fluctuations in the amount of unclaimed property receipted in and paid out by the State Treasurer's Office year to year could significantly affect the fiscal impact of implementing the provisions of the bill. While changes in LB141 from current law may

increase expenses in unknown ways, they may also increase the amount of unclaimed property accessed by the State Treasurer and thus increase revenue. Additional receipt of unclaimed property may offset any additional expenses but revenue from such additional property is not realized, due to holding periods, for three or four years.

LB141 requires a number of technical changes to our unclaimed property database. The cost of implementing these changes to our system and the extent to which we will need to rely on outside vendors is unknown and may increase the estimate for programming changes to our database. If signed into law, this bill is not operative until July 1, 2018. However, the additional staff member to be hired should be added to the Unclaimed Property staff around January 1, 2018 to allow for training time and to have this person involved in the programming changes mentioned above. The FY 2017-2018 expenditures only lists the funds needed to build the necessary IT systems and the new staff member to manage them. The remainder of the expense will not be realized until the bill takes effect.

This fiscal note is calculated based on information available at the time this bill was introduced. The fiscal impact is difficult to quantify due to limited data related to many of the changes from current law.

The impact in FY 18-19 is a loss of \$853,000 to the School Fund but a large portion of that represents additional funds returned to the rightful owner. Assuming those costs remain the same after FY 18-19 without offsetting revenue, the total fiscal impact of this bill on a biannual basis after the initial implementation would be \$1,706,000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18 EXPENDITURES</u>	<u>2018-19 EXPENDITURES</u>
	<u>17-18</u>	<u>18-19</u>		
Additional Staff Member	.5	1	\$20,000	\$40,000
Benefits.....			\$15,000	\$30,000
Operating.....			\$50,000	\$33,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$85,000	\$103,000