

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 126 (Senator Kasemeyer)
Judicial Proceedings

Abandoned Property - Presumption of Abandonment

This bill increases from 5 to 10 years the time that must elapse before unclaimed personal property, including wages and intangible personal property, is presumed to be abandoned. The period of elapsed time for unclaimed traveler’s checks to be considered abandoned remains at five years.

The bill’s provisions are applicable to specified types of property held by financial institutions, insurance companies, utilities, business associations or cooperatives, fiduciaries, courts, public corporations or authorities, or the State or any of its political subdivisions. The bill also increases, from 5 to 10, the number of dividends, distributions, and other sums that must be offered to be paid to owners of certain securities before those securities may be considered abandoned.

Fiscal Summary

State Effect: General fund revenues could decrease by \$29.4 million in FY 1997. Out-year losses reflect projected increases in abandoned property, based on historical data and inflation. General fund expenditures could decrease by \$337,000 in FY 1997. Out-year decreases reflect annualization and inflation.

| (\$in millions) | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| GF Revenues | (\$29.36) | (\$29.76) | (\$30.55) | (\$32.14) | (\$34.46) |
| GF Expenditures | (0.34) | (0.81) | (0.99) | (1.14) | (1.28) |
| Net Effect | (\$29.02) | (\$28.95) | (\$29.56) | (\$31.00) | (\$33.18) |

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

State Revenues: In fiscal 1995 the Comptroller's Office realized a net revenue of \$23.92 million from the sale of abandoned property. It is estimated that net revenues for fiscal 1997 under current law will total \$29.40 million.

This bill would temporarily interrupt the flow of revenue obtained from abandoned property reported to and collected by the Comptroller. It would produce a five-year hiatus during which only revenue derived from unclaimed traveler's checks, as well as revenue from on-going audits on property already meeting the standard for abandonment, would continue. In addition, in-State owner claims, as well as claims under reciprocal agreements with other states, are anticipated to decline if only because there will be significantly less property advertised as abandoned for five years.

It is anticipated that this bill would generate a significant, though temporary, reduction in abandoned property revenue. Losses are estimated to be 99.9% of net revenues projected for fiscal 1997 since all but \$40,000 in revenue is anticipated to be delayed for the additional five years. Accordingly, general fund revenue from unclaimed abandoned property is estimated to decline by \$29.36 million in fiscal 1997. The losses over the next four years reflect projected increases in abandoned property based on historical data.

The Department of Fiscal Services notes that, while this bill would produce significant revenue reductions through fiscal 2001, the reductions would not continue beyond that time. That is, the fact that the property would have to be held for an additional five years before a presumption of abandonment is made only delays derived revenue. The degree to which the additional five years might yield an increase in claims is difficult to ascertain absent that actual experience. In any event, the revenue flow from the abandoned property can be reasonably expected to return to an approximation of current estimates after five years time.

State Expenditures: This bill would also generate a general fund expenditure savings stemming from reduced costs for audits, advertising, and other operating expenses attendant to disposing of the abandoned property. The Comptroller expects that after the October 1, 1997 effective date, two revenue examiners and one clerical position would be eliminated in fiscal 1997, two more examiners would be eliminated in fiscal 1998, and one more examiner would be eliminated in fiscal 1999. The estimated total savings for the elimination of these positions and related operating expenses, as well as the reduction in costs for advertising property as presumed abandoned and the normal contingent of contractual auditors, is projected to be \$337,000 for fiscal 1997. Increases in expenditure reductions for the out-years reflect the continuing staff reductions through fiscal 1999 and inflation on other applicable expenses such as audits and advertising.

However, it is also reasonable to assume that, after the interruption in abandoned property reports and collections generated by this bill, there will be a return of personnel and operating expenses needs for the Comptroller's unclaimed property section. This delayed workload and its associated costs would have to be determined within the context of the normal budgetary processes for fiscal 2002 and beyond.

Information Source(s): Office of the Comptroller, Office of the State Treasurer, Public Service Commission, Office of the Attorney General, Department of State Police, Dorchester County, Department of Fiscal Services

Fiscal Note History: First Reader - January 24, 1996

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