

# OFFICE OF FISCAL ANALYSIS

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sSB-382

AN ACT MODIFYING THE PROCESS FOR CLAIMING AND RETURNING UNCLAIMED PROPERTY HELD BY THE TREASURER.

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## ***OFA Fiscal Note***

### ***State Impact:***

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Labor Dept.	FF - Potential Revenue Loss	See Below	See Below
Resources of the General Fund	GF - Revenue Loss	See Below	See Below

Note: GF=General Fund; FF=Federal Funds

### ***Municipal Impact:***

Municipalities	Effect	FY 24 \$	FY 25 \$
Various Municipalities	See Below	See Below	See Below

### ***Explanation***

The bill makes several changes to the State Treasurer's unclaimed property program, including: (1) requires the Treasurer post the type and estimated value of unclaimed property on the searchable list, (2) establishes a "preponderance of the evidence" standard for determining property ownership, (3) gives the Treasurer access to all state data to the extent necessary for determining property ownership, (4) changes eligibility and amount thresholds for certain claim types. These changes are expected to contribute to increased administrative costs, with some of the changes also expected to increase the amount of claims paid, as discussed below. The bill is also expected to result in a loss of revenue to the Department of Labor and result in a potential revenue increase to various municipalities.

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## **Impact to the Unclaimed Property Program**

Changes to the unclaimed property program can have a fiscal impact through both changes to the administrative costs of the program and the amount of claims paid, both of which will impact the amount of net revenue made available to the General Fund annually.

### *Administrative Expenses*

Overall administrative expense increases to the program are anticipated to include one-time costs of between \$4.4 million and \$6.5 million in FY 24, primarily for costs associated with securing required access to sensitive, federally-regulated data, such as tax payer data and child support information. The remainder of the one-time expenses relate to information technology expenses for both software and hardware, as well as updates to the existing web portal.

Ongoing administrative costs are anticipated to increase between \$3 million and \$4.2 million beginning in FY 24. Over 80% of the ongoing costs are associated with salary and fringe for 25 new positions, including 6 paralegals, 9 claims examiners, 2 claims supervisors, 3 special funds administrators, 3 staff attorneys, and 2 information technology staff, who would collectively handle the increased claim volume, along with proactively seeking out property owners as required in the bill. The non-personnel ongoing costs would support additional property-owner identification requirements, including data access, fraud detection and prevention, legal training, and address verification.

### *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, payments to individuals without supporting documentation, and increased notification of potential property owners outside the automatic repayments, including individuals, municipalities, and certain nonprofit organizations.

Current law requires automatic return of properties valued from \$0 to \$2,500 when owners can be identified.<sup>1</sup> The impact of the expansion of automatic returns to include properties worth between \$2,500 and \$5,000 will be partially offset by raising the minimum property value for automatic payments to those worth more than \$10.

Overall, changes to eligibility are expected to result in a net revenue loss to the General Fund of unknown magnitude. Increased claims are anticipated to impact both claims from the existing list (\$1.3 billion as of the end of FY 22) and to future annual escheats (an average of \$134 million annually from FY 13-FY 22). Additional claims from the existing list are likely to have a larger near-term impact, but there will also be an ongoing impact based on future escheats and increased claims. See Background below for additional context.

### **Impact to the Unemployment Benefits Program**

The bill requires anyone filing an initial unemployment claim to search the unclaimed property list, verify they have no unclaimed property listed, and certify that to the Department of Labor. This provision is out of conformity with federal unemployment compensation law and therefore may result in the loss of up to \$50 million of federal funds annually.

### **Municipal Impact**

The bill requires the treasurer to automatically pay certain abandoned property claims if the property's owner is a municipality. To the extent this results in municipalities being paid for unclaimed property sooner, municipalities would see revenue gains more quickly.

### **Background**

Under current law, new unclaimed property is treated as a revenue to the state, with a portion of the revenue directed to the Citizen's Election Fund (\$12.6 million in FY 22) and the remaining revenues

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<sup>1</sup> C.G.S. 3-70a, as amended by P.A. 22-118

deposited in the General Fund. Claims paid to property owners and the administrative expenses of the program reduce net revenue available to the General Fund from the program. Over the last 10 years, gross revenues have averaged approximately \$134 million annually, while claims have averaged approximately \$58 million annually, with most of the difference representing revenues accrued to the Citizen's Election Fund and the General Fund.<sup>2</sup>

The total value of unclaimed property within the program is in flux, with new claims deducted and new escheats added regularly. As of the close of FY 22, an estimated \$1.3 billion of unclaimed property for over 9.6 million owners was part of the program. Current estimates leave the total value of properties in the system worth \$10 or less to be no more than \$55 million, while properties valued between \$2,500 and \$5,000 have a combined value between \$135 million and \$275 million.

### ***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.

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<sup>2</sup> Source: <https://portal.ct.gov/-/media/OTT/Newsroom/Reports/2022-Annual-Report-Final.pdf>