

Testimony of

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Senate Bill No. 393

**AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS
CONCERNING UNCLAIMED PROPERTY**

March 13, 2024

Senator Flexer, Representative Blumenthal, and distinguished members of the Government Administration and Elections Committee:

My name is Ron Lizzi. I'm an author and engineer from Bethany. I have advocated for reform of the unclaimed property program for years, and my work has led to changes in Connecticut and Colorado.

I support SB-393, An Act Implementing the Treasurer's Recommendations Concerning Unclaimed Property, but it fails to address some fundamental problems with the program.

My understanding is that Senator Sampson will offer amendments addressing some remaining issues. I implore the committee to support these reforms, as it did last year.

I first came before this committee five years ago and reported that Connecticut was returning only about 40% of the unclaimed money it collected. I told you that the program was denying millions of dollars to people, businesses, nonprofits, and municipal governments. I said that the state was not making a good faith effort to return money. Sadly, all of that is still true, five years later.

To see the state's failure, simply go to CTBigList.com and search for CITY OF, TOWN OF, SCHOOL, UNIVERSITY, POLICE, HOSPITAL, LIBRARY, VOLUNTEER, or UNITED WAY. Much of that money can and should be returned automatically, without claims.

While some progress has been made, such as ending the indefensible practice of hiding properties under \$50, more reform is needed. For example, the treasurer must stop automatically sending out checks for two cents. That's embarrassingly wasteful and something I warned you about last year.

Below is a summary of the current problems and the solutions that other states have implemented.

Thank you for attention to this issue. Anyone is welcome to contact me with questions.

PROBLEMS IN CONNECTICUT

Low Return Rate

CT Mirror (<https://ctmirror.org/2022/01/02/billions-collected-millions-returned-how-ct-and-its-politicians-keep-unclaimed-money-from-the-public/>): "From the 2000 to 2021 fiscal years, the Connecticut Treasurer's office collected more than \$2.3 billion through that program. Yet it returned less than 37% of that amount to its owners, according to an analysis by the CT Mirror."

In FY 2023, Connecticut received \$188 million in unclaimed property and returned \$72 million (<https://portal.ct.gov/OTT/Unclaimed-Property/Year-in-Review>), a return rate of 38%, same as for the last five fiscal years. The return rate for FY 2022 was 39%.

In a February, 2024, press release (https://portal.ct.gov/-/media/OTT/Press-Room/Press-Releases/2024/UnclaimedPropertyDay_2024.pdf), Treasurer Russell trumpeted making payments to "72,981 rightful owners, tripling claims paid over the prior year." However, the amount of money returned was almost unchanged – \$72 million in FY 2023 versus \$71 million in FY 2022 (<https://web.archive.org/web/20230412142333/https://portal.ct.gov/OTT/Unclaimed-Property/Year-in-Review>). So, the number of payments tripled, but the average payment plummeted to one third the average of the previous year, which suggests that many small payments were made.

Automatic Payments of Small Amounts of Money

Last year, The Day reported on payments under one dollar (<https://news.yahoo.com/state-sending-checks-people-little-035900891.html>):

On Friday, New London resident Mariana Vega laughed off a check for 74 cents she said she received from the state for money she was owed but didn't know existed.

"I'm like, why did they even send this," she said. "It's not even a dollar. What can I buy with that? Nothing."

But the amount seems almost lofty when compared to checks viewed by The Day for amounts as low as two cents.

Tyler Van Buren, spokesman for the treasurer's office, said the first automatic checks began going out in batches in early June. He emphasized state law requires the program to return all unclaimed property, "regardless of amount."

Van Buren was not able Friday to provide data on how much money has been returned this year or how many payments were less than a dollar, citing the time-consuming nature of running reports in the treasurer's office.

The treasurer's office did not disclose how many automatic payments were less than one dollar. I fear that thousands of payments were, and tens of thousands were less than ten dollars, the minimum automatic payment I recommended in my 2023 written testimony (<https://www.cga.ct.gov/2023/gaedata/TMY/2023SB-00382-R000320-Lizzi,%20Ron-Supports-TMY.PDF>).

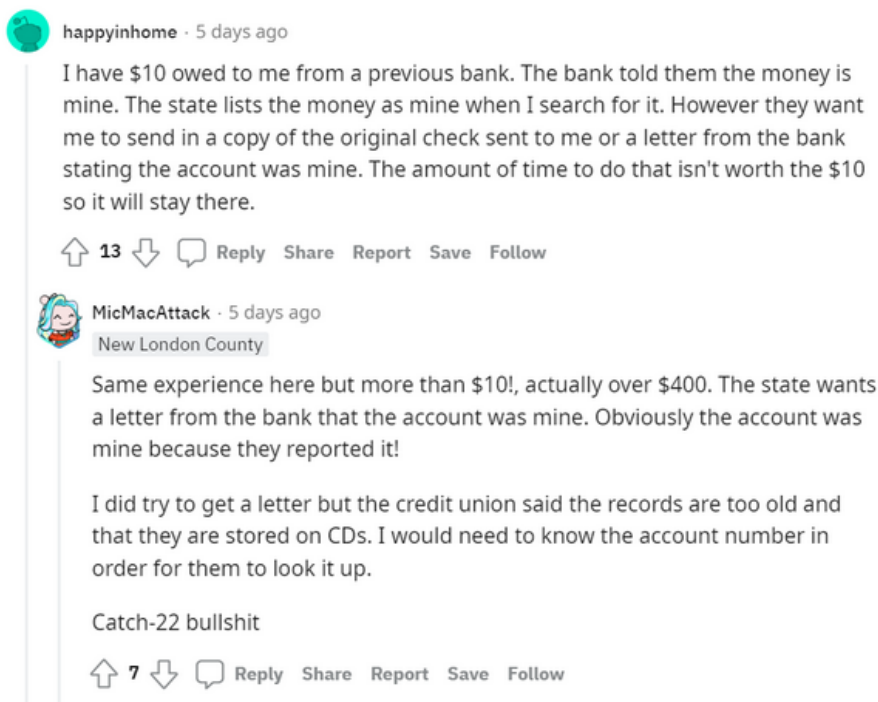
Not only is it wasteful to send out checks for such small amounts of money, recipients may not bother to cash the checks, which would again make them unclaimed money. Would the treasurer then send new checks in a loop of futility?

Standard of Proof for Approving Claims Too High

Rep. Mary Mushinsky (<https://www.youtube.com/watch?v=kTtAJ6MIZmQ&t=18960s>):

“I moved from one street to another street in my same town. I'm a public official. People know I still live here. And yet my security deposit for electric service was turned over to the unclaimed account. And I had to keep turning in more and more paperwork to prove I was the same person who had the account. And I finally gave up because there was so much paperwork to be sent in, and then they would ask me for another piece and another piece – I must have talked to them six times and sent six different documents. And I never got that money back, and I just finally gave up on it and moved on to something else. The amount of time I was spending was not worth the amount of money I would get back for my own security deposit. So, you're right, we should do better.”

Reddit:



The image shows a screenshot of a Reddit thread. The first post is from user 'happyinhome' (profile picture: a green globe) posted 5 days ago. The text of the post reads: "I have \$10 owed to me from a previous bank. The bank told them the money is mine. The state lists the money as mine when I search for it. However they want me to send in a copy of the original check sent to me or a letter from the bank stating the account was mine. The amount of time to do that isn't worth the \$10 so it will stay there." Below the text are icons for upvote (13), downvote, reply, share, report, save, and follow.

The second post is from user 'MicMacAttack' (profile picture: a cartoon character) posted 5 days ago. The text of the post reads: "Same experience here but more than \$10!, actually over \$400. The state wants a letter from the bank that the account was mine. Obviously the account was mine because they reported it!" Below this text is another paragraph: "I did try to get a letter but the credit union said the records are too old and that they are stored on CDs. I would need to know the account number in order for them to look it up." Below this is a third paragraph: "Catch-22 bullshit". At the bottom are icons for upvote (7), downvote, reply, share, report, save, and follow.

Treasurer Russell has indicated that his office uses a higher standard of proof for approving claims than the preponderance of evidence standard used in civil trials. The intention may be to prevent fraud, but if it prevents rare cases of fraud while denying countless thousands of rightful owners their funds, it is the wrong standard. A reasonable balance must be struck.

The standard of proof shouldn't be higher than that used in an appeal of a claim denial in state court.

Exact Property Values Not Shown

CTBigList.com only indicates whether a property is over or under \$100. So, the user may not know if a property is worth claiming. If the user is not the owner, the user may not know if it's worth informing the owner.

SOLUTIONS IN OTHER STATES

Higher Return Rates with Automatic Payments

Newsday (<https://www.newsday.com/business/unclaimed-property-irs-new-york-state-comptroller-kwolrpk7>):

In 2015, the Wisconsin Department of Revenue took over that state's unclaimed property program and launched the nation's first system to automatically match accounts with their owners by integrating it into its tax-processing operation.

"That first year, our return rate was over 92% because we were matching against the entire inventory of unclaimed property records in our database," Erin Egan, director of the bureau of tax operations at Wisconsin's Department of Revenue, said in an email. "We've averaged 64.5% from 2016-2021. We're pretty proud of that considering we only have six employees." That compares to 150 employees in New York's unclaimed funds program.

In fiscal year 2022, Illinois returned unclaimed property worth \$280.9 million out of \$453 million sent to the unclaimed property program that year, according to the treasurer's annual report, a return rate of 62%.

In 2018, Louisiana's Treasury Department, which administers that state's unclaimed property program, partnered with the state's Department of Revenue to share databases. The Treasury Department said the program increased the number of checks issued almost fivefold and cut administrative costs per check by 80%.

Illinois

(https://illinoistreasurergovprod.blob.core.usgovcloudapi.net/twocms/media/doc/august2023_enhanced%20money%20match.pdf):

State Treasurer Michael Frerichs: If We Have Unclaimed Property for You, We'll Just Send You the Check Up to \$5,000

No Claim Needed with Enhanced Money Match Program, \$47 Million to be Returned to 66,000 Residents

Rhode Island (<https://www.ri.gov/press/view/31923>):

Treasurer Magaziner to return \$10 million to 35,000 Rhode Islanders

Rhode Island Treasurer Seth Magaziner today announced "YOUR MONEY" a program which is mailing money to more than 35,000 Rhode Islanders who have unclaimed property with the state.

About 1-in-5 Rhode Islanders have unclaimed property waiting for them. In the past, residents have had to check the state's database to see if they have unclaimed property and then submit a claim. YOUR MONEY matches unclaimed property with known addresses so money can be returned automatically.

Utah (<https://www.ksl.com/article/50756531/check-your-mail-utah-to-start-reuniting-utahns-with-their-unclaimed-property-automatically>):

The state has been working on a better way to reunite Utahns with their lost property, as it is holding onto hundreds of millions of dollars in unclaimed property.

But now, the Unclaimed Property Division will send it to you, and you don't have to lift a finger to get it. People with unclaimed property can expect a check in about six weeks.

"I'm very excited about this," said Utah State Treasurer Marlo Oaks.

Oaks worked to change the law, allowing his department to match people with their money and proactively send it out.

Until now, people have needed to search for their money and then claim it.

"I think this is the most significant development in unclaimed property history," Oaks said.

It's a development that will mean a lot of money being pumped back into Utah's economy.

"We've estimated about \$65 million," Oaks said. He says that is about double what is claimed each year.

Randy Hotz, who has studied state-level policies as part of the Unclaimed Property Professionals Organization, claims that experts believe that a 70% return rate is possible (<https://www.bridgemi.com/michigan-government/how-michigan-makes-122m-year-keeping-unclaimed-missing-money-residents>).

Automatic Return of Properties to All Types of Owners

Rhode Island (<https://www.wpri.com/business-news/hundreds-of-ri-businesses-to-get-checks-for-unclaimed-property/>):

More than 1,000 small businesses and nonprofits across Rhode Island can expect a check in the mail as early as this week.

R.I. General Treasurer Seth Magaziner announced Thursday the state is expanding its Unclaimed Property Program.

“It’s not just people that can have missing money, it’s small businesses and nonprofits also,” Magaziner said. “We are one of the first to largely automate the process, that many people and now many businesses get checks in the mail automatically without needing to fill out any paperwork.”

Vermont (<https://www.wcax.com/2024/02/01/vt-state-officials-announce-program-help-non-profits-claim-money/>):

Now, in partnership with the Secretary of State’s Office, Vermont Treasurer Mike Peciak is working to get money back to nonprofits that may have cash waiting to be claimed.

“We are able to identify 250 nonprofits throughout Vermont. We will be returning over \$150,000 to them through the month of February. So, we are really excited about that, to be able to be proactive and be turning money back into the nonprofit community. But it is also a reminder for individuals, for businesses, even governments-- everybody can have unclaimed property,” said Peciak, D-Vt. Treasurer.

One nonprofit, the Stefan Pierson Foundation which supports young adults battling cancer, has already received \$24,000 thanks to the program.

California (<https://signalscv.com/2019/09/newsom-signs-smith-and-wilks-unclaimed-property-bill-into-law/>):

Assembly Bill 1637 returns money directly to local and state agencies, such as cities, counties, the California State University and University of California, without requiring entities to file a claim.

Automatic Payments of Millions of Dollars in Past-Due Child Support

Missouri (<https://themissouritimes.com/missouri-puts-2-million-in-unclaimed-property-toward-outstanding-child-support-bills/>):

In a partnership between the Missouri Department of Social Services (DSS) and the Treasurer's Office, Missouri has put more than \$2 million in unclaimed property toward outstanding child support bills, the state announced Tuesday.

The new, automated system matches past-due child support payments with unclaimed properties in a database run by the Treasurer's Office. When a match is made, transmission of payment is then transferred to DSS, and the agency has the ability to withhold the property from an individual who still owes child support.

The offices said Tuesday more than \$2 million had already been put toward 18,724 child support cases — just in the first phase of the program.

Mississippi (<https://magnoliatribune.com/2022/12/13/state-treasury-mdhs-team-up-to-return-1-7-million-in-unclaimed-money-to-mississippi-children/>):

The State Treasury and Mississippi Department of Human Services (MDHS) announced they have teamed up to return \$1.7 million in unclaimed money to families with unpaid child support.

Preponderance of Evidence Standard for Approving Claims

Alabama (<https://law.justia.com/codes/alabama/2021/title-35/chapter-12/article-2/article-2a/section-35-12-85/>):

In any proceeding for determination of a claim to property under this article, the burden shall be upon the claimant to establish entitlement to the property by a preponderance of evidence.

Oregon (https://www.oregon.gov/treasury/about-treasury/Documents/Undated/OST_Notice_Proposed_Rulemaking_Trust_Property.pdf):

The Claimant must prove by a preponderance of the evidence that the Claimant or Claimant's Estate is legally entitled to Escheat Property.

Illinois (<https://www.ilga.gov/commission/jcar/admincode/074/074007600E06200R.html>):

If a claimant fails to provide information and documentation necessary to establish legal ownership of the property by a preponderance of the evidence and the claim is inactive for at least 90 days, the administrator may close the claim without issuing a final decision.

Showing the Exact Value of Properties on the Website

Texas (<https://www.claimitexas.gov/>) and California (<https://claimit.ca.gov/>), representing roughly one fifth of the U.S. population, show the exact value of properties.

Select an Action	Property ID	Owner Name	Address	City	State	ZIP Code	Holder Name	Property Type	Amount	Year Reported
CLAIM	71173466	UNITED WAY	1800 N LAMAR	DALLAS	TX	75202	PLANO ISD	ACCOUNTS PAYABLE	\$19,925.00	2021

A 2019 survey that examined how much unclaimed property states returned between 2013 and 2017 “concluded that revealing exact [property] amounts carried ‘no significant fraud risk,’ according to Jennifer Borden, an attorney who specializes in unclaimed property (<https://www.spotlightpa.org/news/2023/05/pa-unclaimed-money-stacy-garrity-treasury-automatic/>).”

Truly Paperless Claims

Connecticut calls its claims process “paperless” (<https://portal.ct.gov/-/media/OTT/Press-Room/Press-Releases/2022/PRO20122rev0207Wooden-Major-CT-Enhancements-To-Unclaimed-Property-System-On-National-Unclaimed-Prope.pdf>), but the website describes uploading scanned paper documents (<https://ctbiglist.com/app/claim/how-to-complete>).

California appears to offer a *truly* paperless claims process (https://www.sco.ca.gov/eo_pressrel_16749.html):

State Controller Betty T. Yee announced today that owners of unclaimed property can now make paperless electronic claims for accounts worth as much as \$5,000, an increase from the previous threshold of \$1,000. The eClaim option has returned over \$27 million in unclaimed property with payment made in an average of just 10 days.

“The eClaim process is simple, efficient, and can be completed in a couple of minutes,” Controller Yee said. “An increased threshold of \$5,000 will allow many more Californians to claim lost or forgotten property online and quickly receive a check in the mail.”

The eClaim process is demonstrated here: <https://www.youtube.com/watch?v=pgi6guEvdwo&t=46s>