

**2007 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** SB 67

**STATUS:** Original

**SUBJECT:** Transfers Unclaimed Property Act Administration from Department of State Lands to the Office of the State Treasurer

**GOVERNMENT UNIT AFFECTED:** Department of State Lands, Office of the State Treasurer, and Department of Administrative Services

**PREPARED BY:** Dawn Farr

**REVIEWED BY:** Susie Jordan, Dallas Weyand

**DATE:** January 26, 2007

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	<u>2007-2009</u>	<u>2009-2011</u>
<b>EXPENDITURES:</b>		
<b>Other Funds – Common School Fund:</b>		
Department of State Lands	\$ 72,373	\$ 94,746
Office of the State Treasurer	\$ <u>1,332,933</u>	\$ <u>1,456,974</u>
	\$ 1,405,306	\$ 1,551,720
<b>Other Funds – Treasurer</b>	\$ 1,562,618	\$ (675,144)
<b>Other Funds – Department of Administrative Services</b>	\$ 1,135,500	\$ 0

**REVENUES:** Refer to the Revenue Impact Statement issued by the Legislative Revenue Office.

**POSITIONS / FTE:**

Office of the State Treasurer	12/6.0	12/12.0
Department of State Lands Transfers to State Treasurer	(12)/(6.0)	(12)/(12.0)
Department of State Lands	1/.54	1/1.0

**EFFECTIVE DATE:** July 1, 2007, transfer becomes operative July 1, 2008.

**GOVERNOR’S BUDGET:** This bill is anticipated by the Governor’s recommended budget.

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**COMMENTS:**

The bill transfers the administration of the Unclaimed Property’s Act from the Department of State Lands (DSL) to the Office of the State Treasurer (OST). The bill would result in a transfer of 12 positions and equipment related to administration of the Unclaimed Property’s Act from DSL to OST.

Unclaimed Property receipts are not considered revenue as they are held in trust in the Common School Fund for the rightful owner(s). The interest from these receipts will continue to be considered revenue that benefits the Common School Fund. Any increased receipts and interest earnings will benefit the Common School Fund. Similarly, any increased expense over current budget expenses will impact the amount of money going to the Common School Fund.

Department of State Lands (DSL)

The bill would require that all related Unclaimed Property’s budget be transferred from DSL to OST effective July 1, 2008. This translates to \$1,402,943 for the 2007-2009, and \$2,805,886 for the 2009-2011 biennia. DSL’s budget includes personal services, services and supplies and professional services. Because DSL has a single program budget, and because DSL owns their office space, the Unclaimed Property Program is currently not assessed administrative service costs, rent and other general service expenses.

DSL’s Unclaimed Property staff currently performs agency-wide administrative and divisional duties. One month prior to the July 2008 transfer, DSL would hire a new position, an Office Specialist 1, to assume agency-wide duties. The costs associated with this position will be \$47,373 for the 2007-2009, and \$94,746 for the 2009-2011 biennia. DSL will also expend \$25,000 in 2007-2009 to move staff from DSL to OST, resulting in a total 2007-2009 expenditure of \$72,373. At this time, DSL has not developed a plan for expensing equipment used by Unclaimed Property staff. The agency indicates that the equipment is old and likely fully depreciated.

Office of the State Treasurer (OST)

The transfer of the administration of the Unclaimed Property’s Act to OST would require that the program conform to the OST business model. Their OST cost structure attributes services and supplies, and administrative services costs to each program based on total positions. The table that follows summarizes OST administrative expenses associated with the management of the Unclaimed Property Program. Compensation differences of \$3,877 are largely attributed to different union representation and mass transit taxes. The OST intends to co-locate Unclaimed Property staff with other Treasury staff. This will require that OST move offices from the Labor and Industries Building to a new location. Move and Leasehold Improvements totaling \$568,046 are the one-time charge that will be assessed to the Unclaimed Property’s program to cover office relocation and improvements. The \$221,386 in additional Services and Supplies captures various expenses, the most significant being rent (\$87,731 per year), state service charges (\$73,235), and computer expenditures (\$33,900). Administrative and information technology (IT) service costs of \$539,624 per year cover the program’s portion of OST’s administrative and IT support expenses.

**Summary of OST Expenditures:**

<b>Other Fund - Common School Fund</b>	<b>2007-09</b>	<b>2009-11</b>
Transferred from DSL	\$1,402,943	\$2,805,886
OST Administrative Expenses		
<i>Compensation Difference</i>	3,877	7,754
<i>Move and Leasehold Improvements</i>	568,046	0
<i>Services and Supplies/Capital Outlay</i>	221,386	369,972
<i>Administrative and IT Service and Support</i>	539,624	1,079,248
Subtotal of OST Additional Expenditures	1,332,933	1,456,974
<b>Common School Fund Total</b>	<b>\$2,735,876</b>	<b>\$4,262,860</b>
<b>Other Fund – Treasury</b>		
Administrative and IT Service and Support	(539,624)	(1,079,248)
Cost of moving office and incremental rent increases	2,102,242	404,104
<b>Other Fund – Treasury Total</b>	<b>\$1,562,618</b>	<b>(\$675,144)</b>

The OST Other Fund charges include the costs associated with moving the part of the office that is not dedicated to Uniform Property administration, and credits for the Administrative and IT service costs that are covered by the Common School Fund instead of OST's Other Funds.

The one time costs associated with moving the office and incremental rent increase is estimated to be \$2,102,242 for the 2007-09 biennium. This value is calculated based on relocating outside the capital campus to commercial lease property, and paying rent of \$810,000 a biennium. This would represent a \$404,104 increase above the current level of \$405,896 for the 2005-2007 biennium. OST Other Funds would cover the \$404,104 incremental cost difference for the 2009-2011 biennium. The estimates related to the move are preliminary numbers that can be better defined once a location has been identified.

The space being vacated is in a public building that is managed by the Department of Administrative Services (DAS) Facilities Division. DAS indicates that the 25,000 square feet currently being occupied by OST would need to be renovated before a new tenant could be placed. Renovation costs range from \$25 to \$50 per square foot. Assuming an average cost of \$37.50 per square foot, the renovation would cost \$937,500. DAS indicates that the renovation would take 6 months, resulting in lost rent of \$198,000. The resulting total DAS expenditures for the 2007-2009 biennium are \$1,135,500. Costs would be reflected in increased uniform rent rates.

The Legislative Fiscal Office believes this measure warrants a subsequent referral to the Joint Committee on Ways and Means Committee for consideration of this measure's budgetary impact on the State's General Fund.