

FISCAL IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

Measure: SB 454 - A3

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Transfers administration of Uniform Disposition of Unclaimed Property Act, unclaimed estates and escheating funds from Department of State Lands to State Treasurer.

Government Unit(s) Affected:

Department of Consumer and Business Services (DCBS), Department of Human Services (DHS), Department of Revenue (DOR), Department of State Lands (DSL), Employment Department (OED), Oregon Health Authority (OHA), Oregon State Treasurer (OST), Counties, Secretary of State (SOS)

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

The legislation transfers the administration of the Unclaimed Property, Unclaimed Estates, and Escheating funds from the Department of State Lands (DSL) to the State Treasurer (OST) effective the 91st day after sine die, with various operative dates ranging from to July 1, 2021 to January 1, 2023. DSL must transfer to OST all records, property, and employees primarily engaged in those duties.

Unclaimed Property Program Overview

The program requires entities to report and remit certain tangible and intangible property to the state when the owner of such property cannot be located or contacted after a period of time. The program also administers estates for people who die without a will or without know heirs. The program's administrative and operational costs are covered by estate administrative fees and earnings from the Common School Fund (CSF). Currently, there is over \$600 million in the CSF as unclaimed property held in trust and invested by OST as part of the CSF.

Program revenues, after administrative costs are paid, are deposited into the CSF and dedicated to school funding. Current law, which is unchanged by SB 454, places no limit on the administrative expenses of the program.

Department of State Lands

The Unclaimed Property Program has been operated by the DSL for the last 62 years since first being assigned the administration of the program by the Legislature in 1957. DSL has dedicated program staff for the program and staff who provide indirect program administrative support.

Dedicated or direct program support includes 13 positions (13.00 FTE) consisting of: one Principal Executive/Manager D (1.00 FTE); five Program Analyst 2 (5.00 FTE); one Fiscal Auditor 2 (1.00 FTE); two Administrative Specialist 2 (1.00 FTE) and five Administrative Specialist 1 (5.00 FTE). Although the measure requires the employees to be transferred to OST, the position classifications, rolls of individuals, and overall ongoing staffing at OST is not contemplated in the bill.

In addition, there are approximately 27 indirect support positions for the program that charge a portion of their budgeted full-time equivalent position costs to the program. These include such position duties as: executive

management, human resources, procurement, accounting, budget, facilities, and information technology. DSL has estimated that there is a total of 9.00 FTE spread across the 27 positions at a cost of roughly \$1.8 million per biennium for personal services that is charged to the unclaimed property program for indirect support.

The transfer of the program to OST will create a funding shortfall at DSL for the indirect support positions. DSL will need to either consolidate and eliminate positions to accommodate the shortfall or reallocate costs of these positions to other programs. The bill does not provide a prescriptive direction to the agency on this issue. If DSL does not take action to reduce or eliminate the allocated position costs, those residual costs are additive to the cost of establishing the program at OST.

State Treasury

The classification and compensation of the transferred positions once established at OST is not contemplated in the bill. Neither is the number of ongoing positions that OST dedicates or assigns indirect cost allocation for the program. OST must also provide for physical facilities and information technology (IT) infrastructure to operate the program which will have initial and ongoing costs for the agency that are currently unknown.

Although considered an Executive Branch agency, OST, as a separately elected, constitutional office, operates independent of the Governor and the rest of the Executive Branch. The Executive Branch makes no recommendation and exercises no budgetary control over the OST's budget. That responsibility falls to the Legislature. Statute provides OST with numerous exemptions from state procurement, compensation, information technology and allotment control, to name a few.

Indeterminate Fiscal Impact

The fiscal impact of the measure is indeterminate, but it is not estimated to be budgetarily net-zero due to the possible reallocation of residual positions and the yet to be determined operational, physical, and IT systems implementation requirements of the program at OST. The budgetary and financial impact and implications of the transfer have yet-to-be worked out to any level of detail. Some key fiscal and revenue questions that need to be answered include:

- The amount of funding backfill for some fractional DSL positions that will not be transferred to OST and the associated revenue source
- OST's program staffing requirements, including how to budget for the fractional transfer of positions
- Changes in employee compensation structure
- Incremental costs related to OST's administrative functions, such as executive management, human resources, procurement, accounting, budget, facilities, and IT support
- Cost of IT applications transfer and any potential application changes or new applications
- Facility arrangements for OST, including new office space, secure vault or other for storage of property
- Quantification of the impact to net transfers to the CSF

Other Agencies

Assuming that OST will accept the same method of property transfer as what is currently used with DSL, then the following state agencies and local governments anticipate no fiscal impact associated with this legislation: Department of Revenue - unclaimed tax refunds and garnishment information; Department of Consumer and Business Services - unclaimed credits of closed businesses and garnishment of property information; Department of Human Services & Oregon Health Authority - personal representative or estate administrator information; Employment Department - Office of Administrative Hearings - contested case hearings; and Counties - unclaimed property physically collected from deceased persons.

Budgetary Adjustments

Given a July 1, 2021 operative date, the measure does not require any budgetary adjustments for the 2019-21 biennium. For the 2021-23 biennium, affected agencies will need to develop policy package proposals as part of

the routine 2021-23 budget development process prescribed by law and for consideration by the Legislature during the legislative session in 2021.

The measure, however, allows agencies to undertake limited action before the operative date of the transfer. Agencies may need to request Other Funds expenditure limitation, and possibly position authority, if the agencies are unable to absorb such costs within their 2019-21 legislatively approved budgets.