

N.C. GENERAL ASSEMBLY LEGISLATIVE FISCAL NOTE

Fiscal Research
733-4910

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|------------------------------------|-----------------------------|----------------|-------------------------------|
| Prepared By: Richard Bostic | Date Prepared: May 11, 1989 | Bill No. H 590 | Edition: Committee Substitute |
| Approved By: Tom Covington TOMC | MAY 15, 1989 | | Sponsor: Rep. Devane |
| Short Title: Amend Escheat Law | | | |

| TYPE OF FISCAL IMPACT | COUNTY | | FUNDS AFFECTED: | | | |
|-----------------------|-------------|-------------|--|-------------|--------------------------------------|----|
| | State Gov't | Local Gov't | () General | () Highway | (x) Other: Escheat Fund () Local | |
| | | | State Fiscal Impact | FY | FY | FY |
| No Fiscal Impact | (x) | (x) | State Total Req'ments Receipts/Revenues | | | |
| Increase Expenditure | () | () | Net State Expend./Rev. | | | |
| Decrease Expenditure | () | () | No. of Positions | | | |
| | | | Local Fiscal Impact | FY | FY | FY |
| Increase Revenue | () | () | Local Total Req'ments Receipts/Revenues | | | |
| Decrease Revenue | () | () | Net Local Expend./Rev. | | | |
| No Estimate Avail. | () | () | No. of Positions | | | |

Description of Legislation

1. Summary of Legislation

The bill does the following: 1) clarifies abandonment of property, 2) indemnifies holder of property for claims arising from delivering property to Escheat fund, 3) assesses penalty on holder for incomplete reports, 4) expands definition of abandonment to include refusal to claim property, and 5) clarifies period to which service charges can be applied to unclaimed property.

2. Effective Date: Effective upon ratification

3. Fund or Tax Affected: Escheat Fund

4. Principal Department/Program Affected: State Treasurer/Escheat Fund

Cost or Revenue Impact on State

| FY | FY | FY |
|-------|-------|----|
| 88-89 | 89-90 | |

1. Non-Recurring Costs/Revenues

2. Recurring Costs/Revenues

3. Fiscal/Revenue Assumptions

Cost/Revenue Impact on County or Local Government

| FY | FY | FY |
|-------|-------|----|
| 88-89 | 89-90 | |

1. Non-Recurring Costs/Revenues

2. Recurring Costs/Revenues

3. Fiscal/Revenue Assumptions

Sources of Data for Fiscal Note

Department of State Treasurer; Attorney General's Office

Technical Considerations/Comments

House Bill 590 has no fiscal impact on the state or on local governments, but may affect the deposits into and the withdrawals from the Escheat Fund. For example, Section 4 of the bill would penalize a holder of abandoned property for incomplete reporting of such property. On the other hand, Section 2 of the bill would prevent property from being escheated by requiring financial institutions to check their records for other active accounts held by the unclaimed property owner.

Some legislators have questioned the impact of Section 3. This section simply provides additional assurance to holders of unclaimed property that they will not be held liable for claims made against them for delivering property to the Escheat Fund. According to the Escheat Fund administrator, there have been no lawsuits in recent memory disputing deposits into the Escheat Fund or challenging the value placed on escheated property. If the Treasurer were sued and lost, the settlement and court costs would be paid from the \$4 to \$5 million in interest earned by the Escheat Fund

each year. Since the average refund of property in Fiscal Year 1987-88 was \$345, the probability of large settlements against the state are quite small.

NOTE: The Escheat Fund is a special fund containing abandoned and unclaimed property. The fund balance as of 6/30/88 was \$48,790,823. The investment income less administrative expenses is remitted each year to the State Educational Assistance Authority. (Payment to SEAA was \$4,122,225 in Fiscal Year 1987-88.)



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