

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: SB1465

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Watkins

3. Committee: Commerce and Labor

4. Title: Escheat of unclaimed U.S. savings bonds.

5. Summary: Establishes a procedure for the escheat to the Commonwealth of unclaimed U.S. savings bonds. The measure declares that U.S. savings bonds held or owing in the Commonwealth by any person, issued or owed in the course of a holder's business, or held by a state or other government, governmental subdivision, agency, or instrumentality are presumed to be abandoned in the Commonwealth if (i) the last known address of the owner is in the Commonwealth and (ii) the savings bond has remained unclaimed and unredeemed for ten years after final maturity. Such bonds that are presumed abandoned shall escheat to the Commonwealth one year after such bonds are presumed abandoned, provided that the administrator obtains a court judgment affirming the escheat. The State Treasurer is required to send notice of the escheat to the last known address of the former owner. The administrator is required to redeem such bonds that have escheated to the Commonwealth, and the balance of proceeds shall be deposited into the Literary Fund pursuant to Article VIII, Section 8 of the Constitution of Virginia.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary; indeterminate.

8. Fiscal Implications: This legislation states that any U.S. savings bond that has been unclaimed and unredeemed for ten years after its final maturity and that the last known address of the owner is in the Commonwealth of Virginia will be presumed abandoned. One year after being declared abandoned, the savings bonds are to be escheated to the Commonwealth provided that the State Treasurer, as the administrator of the Unclaimed Property program, obtains a court judgment affirming the escheat. Upon proving his or her identity, the original owner would be able to claim the escheated savings bonds.

The U.S. Department of the Treasury is the primary holder of U.S. savings bonds. Current estimates suggest that the U.S. Treasury holds over \$16 billion of matured, unredeemed savings bonds. The U.S. Treasury allows the public to search for these bonds by social security number, but does not currently remit unclaimed bonds to state unclaimed property programs. If the bonds are escheated to the Commonwealth, the proceeds would generate

additional revenue for the Literary Fund. It is unclear whether the U.S. Treasury would remit these savings bonds to the Commonwealth, therefore the impact on Literary Fund revenues is currently unknown.

The bill directs the State Treasurer to issue a notice to the last known address of the original owner upon escheating the bonds and to publish notice of the escheatment in line with the publication requirements of the Unclaimed Property program. Depending on the volume of property escheated, these requirements will create additional mailing and advertising costs for Treasury.

9. Specific Agency or Political Subdivisions Affected: Department of the Treasury

10. Technical Amendment Necessary: None.

11. Other Comments: In 2014, the state of Kansas became the first state to successfully sue the U.S. Treasury for payment of matured U.S. savings bonds found in unclaimed safe deposit boxes that had been remitted to that state's Unclaimed Property program. Those bonds totaled \$861,908. The U.S. Treasury denied the Kansas Treasurer's request to redeem all matured U.S. savings bonds that were issued to owners with a last known address in Kansas. Kansas has initiated a lawsuit seeking payment for those bonds and records identifying their original owners.

The substitute version of this bill increases the number of years that a savings bond must remain unclaimed before it can be escheated from five years to ten years. The substitute requires the State Treasurer to send notice to the last known address of the original owner advising such person of the escheatment of the savings bonds. The substitute also clarifies that the original owner shall receive the entire amount of the property escheated after the original owner files a claim and his or her identity is proven.

This bill is similar to HB2398, as introduced.

C: Secretary of Finance

Date: February 25, 2015

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