



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 270
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 270's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Rep. Merrin

Local Impact Statement Procedure Required: No

Shannon Pleiman, Senior Budget Analyst and other LBO staff

Highlights

- The amount of unclaimed funds deposited with the state in the future could decrease as a result of the bill's provision establishing a minimum threshold of \$100 for what constitutes unclaimed funds, replacing the current requirements under which there is no threshold. As of October 2019, there are approximately 11 million unclaimed properties under a value of \$100. The aggregate value of these unclaimed properties is \$216.2 million.
- The bill includes Ohio tax refunds of \$100 or more that are not cashed within five years after they are issued as unclaimed funds, potentially increasing the amount of unclaimed funds held by the state. Currently, the uncashed tax refunds are deposited into the GRF.
- The bill allows the Treasurer of State to invest any moneys of the Unclaimed Funds Trust Fund in custodial accounts of the state. The bill precludes funds in this account from a codified limit on investment of state funds in debt interests other than commercial paper.

Detailed Analysis

The bill makes several changes to the Unclaimed Funds Law that is overseen by the Department of Commerce. Certain provisions will affect the amount of unclaimed funds held by the state. Those provisions are described below.

Ohio tax refunds as unclaimed funds

The bill includes Ohio tax refunds of \$100 or more that are not cashed within five years after they are issued as unclaimed funds. According to the Department of Taxation, tax refunds voided in FY 2015-FY 2018 ranged from \$4.0 million to \$7.0 million per fiscal year. However, the

amount transferred to unclaimed funds under the bill would likely be less because these amounts encompass tax refunds that have not been cashed within two years (instead of five years under the bill) and refunds of any amount (instead of only refunds over \$100 as under the bill). Under R.C. 126.37, tax refund warrants are void if not cashed within two years after they are issued. Currently, these voided tax refunds are deposited into the GRF and can be reissued and cashed to the taxpayer.

Monetary threshold

The bill could also reduce the amount of funds transferred to the state as unclaimed funds in the future by establishing a minimum threshold of \$100 for what constitutes unclaimed funds. Under current law, there is no threshold. Presently, there are 10,996,019 unclaimed properties totaling \$216.2 million under the \$100 threshold. Until the rightful owners of unclaimed funds claim their properties, the Department uses a portion of reported unclaimed funds to support the Mortgage Insurance Fund, Minority Business Bonding Fund, and the Housing Development Fund. The allocations to these funds remain the same under the bill. Unclaimed funds have also been used in recent years to support operations of other state programs through transfers to the GRF.

Retaining rate of unclaimed funds

The bill alters a requirement in current law which allows holders of unclaimed funds to retain 90% of the value of funds valued at \$50 or greater. Under H.B. 270, all unclaimed funds meeting the monetary threshold (\$100 or greater under the threshold created by the bill) must be remitted to the state within one year of the bill's effective date. In total, \$886.2 million of all unclaimed funds are retained by holders under the current process, which includes unclaimed funds valued at the current threshold of \$50 or more. Overall, requiring all unclaimed funds of \$100 or greater to be remitted to the state will increase the amount of unclaimed funds held in the state's account under the Unclaimed Funds Trust Fund.

Treasurer of State

The bill requires all unclaimed funds to be deposited into the Unclaimed Funds Trust Fund. Under the bill, the Treasurer of State is authorized to invest any or all moneys held in the Unclaimed Funds Trust Fund in custodial accounts. Any interest generated by these investments is to be credited to the fund of custodial account in which the funds are deposited. According to the office of the Treasurer of State, no increase or decrease in employment or operating expense is expected.

Under ongoing law, the Treasurer is prohibited from investing more than 25% of the state's interim funds in debt instruments other than commercial paper. The bill exempts the investment of the new custodial accounts from this 25% limitation. To the extent that the Treasurer exceeds the limitation in practice, this exemption may increase the financial risk associated with investing the funds.

Other provisions with potential fiscal effects

The bill makes several other changes to the Unclaimed Funds Law that could minimally affect state revenues and expenditures. First, the bill requires the Department of Commerce to adopt rules to liquidate tangible property that the Department receives mistakenly as an item of unclaimed funds and requires that any proceeds from the sale of such property be treated as

if they were unclaimed funds. The last auction the Department held was in 2016 and generated \$1.2 million in claimable funds. Secondly, the bill establishes a new procedure for unclaimed funds on small or closed estate affidavits without requiring letters testamentary or letters of administration to be issued upon the estate. It could be possible that the new process would decrease the cost and time for claimants to file a claim so the number of claims may increase.

Thirdly, the bill also requires the Department to set up and maintain an online platform for both the reporting and claiming of unclaimed funds within one year of the bill's effective date. Currently, there is a platform that exists which facilitates the claiming of unclaimed funds. The Department is now in the process of gathering proposals from developers to build an online platform for facilitating the reporting of unclaimed funds and is planning to spend \$1.0 million for this purpose under Fund 5430 appropriation item 800602, Unclaimed Funds – Operating. Lastly, the bill requires state and local government agencies to share information relating to unclaimed funds with the Department and requires the Department to share information with those agencies and with federal agencies. It is unclear how this information would be shared across entities and if there would be any costs for these entities in doing so.