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Ohio Legislative Service Commission

Office of Research and Drafting

Legislative Budget Office

S.B. 277

133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 277's Bill Analysis

Version: As Reported by House Financial Institutions

Primary Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: No

Eric Makela, Economist

Highlights

- Changes to the Unclaimed Funds Law, including (1) requiring all unclaimed funds to be remitted to the state, and (2) allowing the Treasurer of State (TOS) to invest those funds to generate additional revenue, would increase balances in the Unclaimed Funds Trust Fund, various custodial funds outside the state treasury, and investment earnings of the state. Investment earnings would be retained by the Unclaimed Funds Trust Fund or a custodial fund, whichever fund held the funds generating the earnings. Current holders of unclaimed funds are required to remit them to the state within 12 months. As of June 2020 such holdings amounted to approximately $961.9 million.
- The bill requires the market value of securities pledged to the Ohio Pooled Collateral Program (OPCP) by financial institutions serving as public depositories to be at least 102% of the total uninsured public deposits held at the public depository, and provides a liability exemption to public depositors and the Treasurer of State (TOS) in the event a financial institution does not comply with the OPCP agreement.

Detailed Analysis

The bill makes changes to the Unclaimed Funds Law, makes changes to the Ohio Pooled Collateral Program overseen by the Office of the State Treasurer (TOS), and modifies certain laws governing the Ohio Police and Fire Pension Fund (OP&F).

Unclaimed Funds

Under current law, holders of unclaimed funds[1] are able to retain 90% of all funds valued at $50 or greater. S.B. 277 requires holders to remit all unclaimed funds to the state, allowing entities currently holding such funds up to 12 months for remittance. The bill also gives TOS control of the investment of unclaimed funds, and allows the Treasurer to invest such funds in custodial accounts outside of the state treasury.

As of June 2020, the total amount of all unclaimed funds retained by holders over $50 was approximately $961.9 million. At a conservative 0.1% rate of return, these additional moneys would generate around $962,000 in interest earnings in the first year. Interest earnings are allocated to the fund in which the moneys are deposited. The investment of funds may increase administrative costs for TOS.

Ohio Pooled Collateral Program

The Ohio Pooled Collateral Program (OPCP) standardizes and simplifies the process through which institutions must participate to pledge collateral in order to be eligible to secure public deposits. The bill makes changes to requirements of program participants, and applies only to public depositories who secure public deposits in a common pool or account.

The bill specifies that if, on any day, the market value of securities pledged to the OPCP falls below 102% of the total uninsured public deposits held at the public depository, the institution shall have two days to pledge additional securities to meet the minimum threshold. Currently, the collective market value of all securities in the OPCP exceeds the amount on deposit by program participants. In addition, the bill provides an exemption from liability for public depositors, certain stakeholders of public depositors, and the Treasurer of State in the event that a public depository fails to comply with the OPCP agreement required under current law.

Ohio Police and Fire Pension Fund

The bill: (1) allows the OP&F Pension Fund Board greater flexibility in determining the eligibility of its members for disability benefits,[2] (2) requires, for a member's disabling condition to be considered permanent, that the condition be expected to last at least 12 months, and (3) removes the requirement that the pre-employment examination of a prospective member be conducted by a physician.

The bill does not have a direct fiscal effect on the state or political subdivisions, because it does not change the required payroll contribution rate for OP&F members. The bill's disability benefit provisions may affect the OP&F Pension System's administrative costs and liabilities.

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[1] Typically, these would be financial institutions.

[2] In particular, the OP&F Board would be able to contract with competent health care professionals other than physicians in conducting health examinations of its members. In addition, under the bill the Board is allowed to grant disability benefits to members based on supporting medical documentation without undergoing an additional medical examination.