



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 45 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Sen. Williams

**Local Impact Statement Procedure Required:** No

**Subject:** Alters the payment process for unclaimed funds amounts identified by registered finders

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### State Fiscal Highlights

- **Office of Budget and Management.** Under the bill, unclaimed funds that are located using a finder will require the state to issue two checks: one to the owner of the funds and one to the finder. As a result, the Office of Budget and Management's State Accounting operations could incur negligible additional costs annually to process the additional checks. These processing costs would be paid out of the Accounting and Budgeting Fund (Fund 1050).
- **Department of Commerce.** The bill permits the Director of Commerce to establish a reasonable fee to cover the Department's processing and delivery costs associated with payment to registered finders. This amount would be deducted from the amount due to a finder and thus would be retained within the Unclaimed Funds Trust Fund (Fund 5430).

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

### Detailed Fiscal Analysis

#### Overview of the Unclaimed Funds Program

The Unclaimed Funds Program is administered by the Division of Unclaimed Funds within the Department of Commerce (COM). The Division is responsible for the safekeeping and return of moneys designated as "unclaimed" due to death, inadvertence, or forgetfulness. State law requires that these funds be reported to the state for safekeeping after the owners have left the funds unclaimed for a period of time, typically five years. The state acts as a custodian for the funds until the rightful owners or their heirs claim them. Common sources of unclaimed funds include dormant checking and savings accounts, insurance proceeds, unclaimed wages and employment benefits, uncashed checks and money orders, undelivered stock and dividends, forgotten rent or utility deposits, and intangible contents of safe deposit

boxes. Currently, a claimant may contract with a "finder" registered with COM to locate unclaimed funds. However, as described below, only a small share of claims are handled this way.

Claims are paid from the Unclaimed Funds Trust Fund (Fund 5430). In FY 2016, the Division paid a total of \$81.4 million to the found owners of unclaimed funds, an increase of \$5.4 million (7.1%) compared to the \$76.0 million paid in FY 2015. The number of claims paid decreased from approximately 45,500 in FY 2015 to approximately 42,100 in FY 2016.

**Payments of finders fees under current law**

Under the current process for handling unclaimed funds located by finders, the finder sends the original agreement between the finder and the owner of the funds to COM's Division of Unclaimed Funds for review and approval. After the agreement is approved, the Division creates a claim form and sends the claim form to the finder. The finder returns the claim form with the documentary evidence needed to pay the claim. Once the claim is approved for payment, the Division requests a check from the Office of Budget and Management (OBM) to be mailed directly to the owner of the unclaimed funds. The owner is then responsible for paying the finder according to the terms of the finder agreement. This amount may be up to 10% of the amount the claimant recovers. Because the owner/claimant receives the entire amount, some registered finders have had difficulty receiving proper payment from the claimant for the finder's services. The Division does not get involved in disputes over whether the owner has paid the finder since the Division is not a party to the agreement between the finder and the claimant.

There are 51 finders currently registered with the Department. The table below shows the number and percentage of unclaimed funds claims paid through the assistance of finders each year from FY 2012 to FY 2016. As the table shows, claims paid through the assistance of finders has been consistent at around 1% to 3% of all claims.

<b>Unclaimed Funds Claims Paid Involving Finders, FY 2012-FY 2016</b>					
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Claims Paid Via Finders	556	991	368	651	1,252
Total Claims	41,992	46,395	47,881	45,449	42,059
% of Claims Paid Via Finders	1.3%	2.1%	0.8%	1.4%	3.0%

**Fiscal effects of S.B. 45**

The bill alters the payment of unclaimed funds claims in a way that affects both COM and OBM, which handles check issuance for state agencies. Specifically, the bill requires OBM to withhold the portion of an unclaimed funds payment due a registered finder as arranged under contract with the claimant and the finder, less any fee COM establishes for the processing and delivery of any payment. Consequently, OBM would issue two payments for each unclaimed funds transaction involving a finder: one to the claimant and the other to the finder.

As a result of the bill, OBM's State Accounting operations would incur negligible additional costs to process and mail two checks instead of just one, since there would be two payees. Currently, State Accounting's cost to process and mail a warrant is roughly 65 cents. Based on the volume of approximately 360 to 1,200 claims involving finders over the past five fiscal years, the applicable processing and mailing costs have annually ranged from \$239 to \$814. The bill will double the number of warrants issued for unclaimed funds transactions, and thus the costs to process and mail them. Overall, the actual increase in costs would depend on the number of claims assisted by finders. Another possible consequence of the bill would be an increase in finder activity, since finders would no longer face the prospect of having to sue unclaimed funds owners for the agreed upon finder's fee.

OBM's State Accounting operations are supported by an accounting and budgeting services payroll check-off paid by state agencies. The payroll check-off takes into account an agency's operating expenses (those for payroll, purchased personal services, maintenance, and equipment) to determine its equitable share of OBM accounting and budgeting services costs. The receipts are deposited into the Accounting and Budgeting Fund (Fund 1050). The bill also allows COM to establish a reasonable fee for the costs it incurs in processing and delivering any payment made to a registered finder. This amount would be deducted from the finder's portion of the claim and retained within Fund 5430.