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May 29, 2025 Joint Committee on Finance Paper #725

Project Position for the Unclaimed Property Program (State Treasurer)

[LFB 2025-27 Budget Summary: Page 645, #2]

CURRENT LAW

The Office of the State Treasurer (OST) is one of the State's constitutional offices including the Offices of the Governor, Lieutenant Governor, Secretary of State, and Superintendent of Public Instruction. Under s. 14.58 of the statutes, the OST is responsible for providing services related to the promotion of the unclaimed property program in consultation with the Department of Revenue (DOR). Annual base funding for the OST is $133,000 PR for administrative expenses related to promoting the unclaimed property program ($77,100 for permanent position salaries, $34,900 for fringe benefits, and $21,000 for supplies and services). The unclaimed property; administrative expenses appropriation [s. 20.585(1)(k)] is the only appropriation under OST to which funding is provided. The appropriation also includes OST's only authorized position, which is the elected State Treasurer. Revenue for the appropriation is transferred from DOR's unclaimed property program.

Additionally, the elected State Treasurer is one of the Commissioners on the Board of Commissioners of Public Lands, which manages the principal of four school trust funds and approximately 77,000 acres of school trust lands. The Board invests approximately $1.5 billion of the funds, from which the earnings are distributed to K-12 public school libraries and the University of Wisconsin.

DISCUSSION POINTS

1. Prior to 2013 Act 20, OST was responsible for administering the unclaimed property program. Additionally, under previous acts, the Legislature transferred various roles from OST including: (a) State Treasurer management functions for which assets, liabilities, and property of OST were transferred to the Department of Administration (DOA) (2011 Act 32); (b) cash management functions including receipt, processing, and recording of revenues of the state, the daily determination

of the cash position of the state, and the calculation of the amount of funds available for investment by State of Wisconsin Investment Board (SWIB) (transferred to DOA in 2003 Act 33); (c) administration of three college savings programs: EdVest, Tomorrow's Scholar; and Tuition and Expenses (transferred to DOA in 2011 Act 32; and transferred to the Department of Financial Institutions in 2017 Act 59); and (d) local government investment pool management (transferred to SWIB in 2011 Act 32).

2. The 2013-15 budget act (2013 Act 20) transferred the administration of the unclaimed property program to DOR from OST. The Act included the transfer of 4.0 PR positions for managing unclaimed property cash revenue accounts and database, claims review and processing, management reconciliation of stock portfolios, and security and sale of safe deposit contents. Under 2015 Act 55, the Deputy State Treasurer position, along with $206,900 PR and 1.0 position annually associated with the position, was deleted. As a result, OST has operated with 1.0 position since 2015.

3. The Department of Revenue is currently responsible for administering the state's unclaimed property program. Base funding for DOR's administrative appropriation for the program is $3,923,000 and 5.95 positions. Under Chapter 177 of the statutes, property is generally considered to be abandoned or unclaimed if the owner does not have active contact with the holder of the property for one to five years, depending on the type of property, and if the holder of the property has been unable to contact the owner of the property. Unclaimed property typically includes contents of safe deposit boxes, wages, refunds, bank deposits, traveler's checks or money orders, stock and other intangible interests in business associations, and distributions caused by certain insurance company activities. A holder of unclaimed property is generally a financial institution, insurance company, publicly-traded corporation, or a similar institution. Holders must review their financial records each year to determine whether they hold any funds, securities, or safe deposit box contents that have been unclaimed for the specific period of dormancy. Holders are then required to file an annual report with DOR and remit the property to the state.

4. If a property owner cannot be located by DOR, the value of the property is applied to the owner's account for future claims by the owner or the owner's heirs, and the proceeds of the property are deposited to the Common School Fund (net of administrative expenses). The income of the Common School Fund is distributed as school library aids in proportion to the number of people between the ages of four and 20 within each school district. The Board of Commissioners of Public Lands oversees the use of revenues deposited to the Common School Fund. In 2024-25, the Board distributed $70,000,000 to eligible schools and libraries, which increased by $5,000,000 from the previous year.

5. As shown in the table below, the amount transferred from the unclaimed property program to the Common School Fund has increased from $9,167,400 in 2015-16 to $50,626,500 in 2023-24. The increase is primarily attributed to the net increase of remitted unclaimed property compared to paid unclaimed property to identified owners. As the net amount of remitted unclaimed property increases, the distribution to the Common School Fund also increases.

Transfers from Unclaimed Property Program to Common School Fund

Fiscal Year	Amount
2015-16	$9,167,400
2016-17	34,081,100
2017-18	13,990,900
2018-19	37,842,100
2019-20	33,743,500
2020-21	34,174,300
2021-22	30,375,000
2022-23	48,054,600
2023-24	50,626,500

6. 2023 Act 138 included a provision to permanently create an unclaimed property voluntary disclosure program in which DOR encourages businesses, organizations, and governmental units who are not in compliance with Wisconsin unclaimed property laws to voluntarily come forward to report and remit unclaimed property without penalties. According to DOA, the program, which started in February 2022, may have contributed to an increase in remitted unclaimed property from 2020-21 to 2023-24.

7. 2021 Act 87 amended the Wisconsin Uniform Unclaimed Property Act to require DOR to pay interest on property or money held by the state in the unclaimed property program on or after February 2, 2019, valued at least $100 at an annual rate based on the federal long-term rate from the previous year. During 2023-24, DOR paid interest at the federal long-term rate of 5.03%, compared to 1.91% in 2021-22. According to the Administration, the total amount of interest paid on unclaimed property has increased from $296,800 in 2021-22 to $4,432,900 in 2023-24, which is primarily attributed to increases in interest rates.

8. In its 2025-27 agency request, OST requested $81,000 PR in 2025-26, $104,000 PR in 2026-27, and 1.0 PR position annually for a two-year project position for a program and policy analyst to function as a complement to DOR's staff to connect Wisconsin residents with unclaimed property. According to OST, duties for the project position would include: (a) researching unclaimed accounts and matching the account with owners; (b) working with DOR, legislative offices, and other units of government to promote the unclaimed property program to the public; (c) monitoring the net change in the returns of unclaimed property; and (d) identifying and modifying property identification, communication, and return methods.

9. In January, 2025, DOA, on behalf of OST, requested $63,100 PR and 1.0 PR position for a six-month program and policy analyst project position (or until the end of 2024-25, whichever occurred first), through a s. 16.515/16.505(2) passive review request to the Committee. The requested funding would be allocated as: (a) $38,500 for project position salary; (b) $18,100 for fringe benefit costs; and (c) $6,500 for supplies and services. According to the Administration, OST requested the immediate creation of the position due to increases in unclaimed property collected by DOR and associated increases in accrued interest from 2021 Act 87. The project position would be supported by PR transferred from DOR's unclaimed property program. An objection was raised to the request.

10. According to OST, the expansion of program promotion and outreach from OST could reduce the impact of interest payments required by 2021 Act 87. The Treasurer's Office indicated the project position would work to connect unclaimed property with its owners, which would decrease the amount and value of property held by the state and the required interest rate payments.

11. According to the Administration, the estimated value of unclaimed property in the custody of the state has increased from $623,702,700 in 2020-21 to $785,900,400 in 2023-24. The Department of Revenue attempts to connect owners with unclaimed property by maintaining an online searchable database of unclaimed property, placing annual advertisements in newspapers, and auto-matching holder report information to DOR tax records. The Department of Revenue's unclaimed property program; claims appropriation ended 2023-24 with a closing fund balance of $44,700,000, which increased from $30,000,000 in 2020-21. The amount available to transfer from DOR to the Treasurer's administrative expenses appropriation would be sufficient to fund the project position.

12. Under 2025 Senate Bill 45/Assembly Bill 50, $84,000 PR in 2025-26, $104,000 PR in 2026-27, and 1.0 PR position annually would be provided to support a two-year program and policy analyst project position to work in coordination with DOR to connect Wisconsin residents with unclaimed property and to promote the unclaimed property program. The bill would provide an additional $3,000 in one-time costs 2025-26 compared to the agency request for supplies and services such as computers or software licensing. The source of the funding would be revenue transferred from DOR's appropriation for unclaimed property claims.

13. Given that a program and policy analyst project position could assist OST in fulfilling its duties related to promoting the unclaimed property program, the Committee could provide $84,000 PR in 2025-26, $104,000 PR in 2026-27, and 1.0 PR project position annually to OST's administrative expenses appropriation [Alternative 1].

14. As previously noted, the project position may identify unclaimed property in the custody of DOR that is receiving interest at the federal long-term rate. A reduction in interest payments could help alleviate the growth in program liabilities and connect more individuals with their property.

15. Since DOR is ultimately responsible for administering the unclaimed property program, the Committee could instead provide $84,000 PR in 2025-26, $104,000 PR in 2026-27, and 1.0 PR project position annually to DOR's unclaimed property; administrative expenses appropriation [Alternative 2]. As previously noted, if Alternative 1 or Alternative 2 were approved, while interest payments, as required by Act 87, could decrease, so could transfers to the Common School Fund due to more unclaimed property being returned to owners. Regardless, the project position, if approved, would be funded from unclaimed property program revenues.

16. According to DOA, the Administration recommends creating a project position with OST and not DOR since the need for resources was identified by OST. The Administration also indicates that DOR staff do not have statutory requirements to promote the program as OST does, and the requested project position would have roles associated with the promotion of the unclaimed property program.

17. Alternatively, because OST has functioned with 1.0 position since 2015 and its duties have not been expanded, the Committee could choose to take no action [Alternative 3]. The Office would continue to promote the unclaimed property program with one position.

ALTERNATIVES

1. Provide $84,000 PR in 2025-26, $104,000 PR in 2026-27, and 1.0 PR position annually to the State Treasurer's administrative expense appropriation to support a two-year project position to connect owners with unclaimed property and to promote the unclaimed property program. The position would expire June 30, 2027.

ALT 1	Change to Base	
	Funding	Position
PR	$188,000	1.00

2. Provide $84,000 PR in 2025-26, $104,000 PR in 2026-27, and 1.0 PR position annually to DOR's unclaimed property; administrative expenses appropriation to support a two-year project position to connect owners with unclaimed property and to promote the unclaimed property program. The position would expire June 30, 2027.

ALT 2	Change to Base	
	Funding	Position
PR	$188,000	1.00

3. Take no action.

Prepared by: Mitch Wenzel

M# paper # 725 Dem Alt 1

BORN	Y	(N)	A
KURTZ	Y	(N)	A
ZIMMERMAN	Y	(N)	A
RODRIGUEZ	Y	(N)	A
DALLMAN	Y	(N)	A
HURD	Y	(N)	A
MCGUIRE	(Y)	N	A
ANDRACA	(Y)	N	A
MARKLEIN	Y	(N)	A
TESTIN	Y	(N)	A
WIMBERGER	Y	(N)	A
STAFSHOLT	Y	(N)	A
BRADLEY	Y	(N)	A
QUINN	Y	(N)	A
JOHNSON	(Y)	N	A
ROYS	(Y)	N	A

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