

Policy Brief – Unclaimed Property Receipts in South Dakota



November 19, 2013 by Joy Smolnisky

What is Unclaimed Property?

Unclaimed Property is unclaimed or abandoned intangible property. It represents a certain obligation a company is holding for another person or business. It includes checking and saving accounts, certificates of deposit, over payments, insurance checks, payroll checks, utility refunds, money orders, un-cashed checks, dividends, stocks, bonds, contents of safe deposit boxes and more.¹ Generally, if the property in question has not had any activity within a certain period of time, e.g., three years for most properties, and the holder is unable to locate the property owner, it is considered abandoned and must be reported to the Unclaimed Property Division of the State Treasurer's Office. The unclaimed property is kept in a custodial capacity by the State of South Dakota until the rightful owner has successfully claimed the property.²

What does South Dakota do with Unclaimed Property Receipts?

The unclaimed property funds are continually swept to the general fund for use by the state. The Division of Unclaimed Property draws back funds as needed for claim payment and the office expenses. The net of the unclaimed property receipts (unclaimed property receipts minus unclaimed property disbursements) are considered one-time monies in the SD Budget Book³.

How are these receipts and disbursements trending?

Since 2002 receipts have been rising and the percentage of receipts disbursed to claimants has been falling, leaving South Dakota with increasing net receipts from unclaimed property (Table 1 & Chart A, SD BPP Analysis of Office of the State Treasurer Annual Reports⁴). The Treasurer reported prior to 2014 South Dakota had \$113 million in net receipts, now that amount has more than doubled.

Unclaimed Property	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Received	2.7	3.1	4.5	5.0	7.4	9.8	11.0	8.7	8.6	15.6	17.7	35.3	125.0	58.0
Disbursed	1.9	1.9	2.3	2.0	2.2	2.2	2.5	2.8	2.2	2.1	3.7	3.5	5.0	4.0
Net	0.8	1.1	2.2	3.0	5.2	7.6	8.5	5.9	6.5	13.5	14.1	31.8	120.0	54.0
% Disbursed	72%	63%	51%	41%	30%	23%	23%	32%	25%	13%	21%	10%	4%	7%

A portion of the FY13 and FY14 revenue spikes are one-time in nature, due to a shortening of the state dormancy period from 5 to 3 years for most unclaimed property (HB 1270 passed by 2012 Legislature).⁵

However, approximately \$30 million of the 2014 spike represents new recurring receipts attributable to a large holder relocating their retail book of business in South Dakota. All dormant accounts from this holder with unknown addresses or foreign addresses are reported to the SD Division of Unclaimed Property.

The Division of Unclaimed Property estimates ongoing Unclaimed Property receipts in FY15 will be \$58 million.

Chart A
SD net unclaimed property receipts
(in million \$)

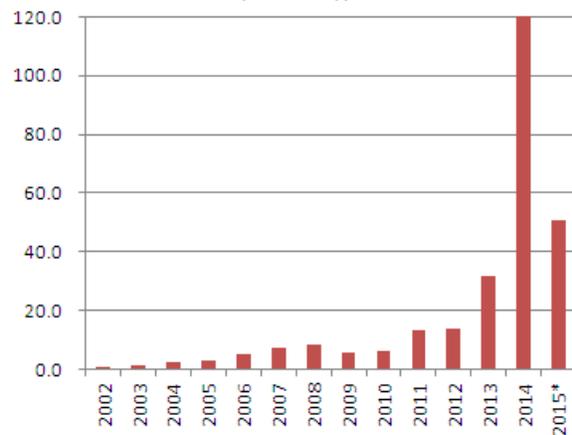


Chart by SDB&PP; Data source: SD Treasurer Annual Reports
* SDB&PP FY15 estimate based on information from Division of Unclaimed Property 11-13-13

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What impact will these receipts have on upcoming budgets?

Fiscal Year 2014: The 2013 Legislature’s Appropriations Committee Revenue Estimate^{6,7} for FY14 includes \$24,254,000 in unclaimed property receipts. The State Treasurer reported actual receipts five times higher, at \$125 million⁸, and the Division of Unclaimed Property estimates net receipts of \$120 million.⁹ The approximately \$96 million in excess FY14 net unclaimed property receipts will likely be addressed in the Governor’s Budget Address (December 2013) or by the 2014 Legislature.

Fiscal Year 2015 and 2016: The Division of Unclaimed Property estimates ongoing unclaimed property receipts in FY15 will be \$58 million, disbursements about 4 million with net about \$54 million.

Beginning in FY15, the state treasurer is required under SB235¹⁰ (passed by 2013 legislature) to transfer twenty-five percent of the unclaimed property deposited in the general fund to the Building South Dakota Fund.¹¹ In FY16 and each year thereafter, this continuous appropriation is increased to fifty percent of the unclaimed property deposited in the general fund. These funds are then redistributed by statute as outlined in Table 2. If FY15 and FY16 have ongoing net receipts of \$50 million, the newly created funds could expect to see allocations as projected below.

%	Fund receiving Unclaimed Property Revenue	FY15	FY16	FY17
25%	Local Infrastructure Improvement Grant Fund	\$ 3.1	\$ 6.3	\$ 6.3
15%	Economic Development Partnership Fund	\$ 1.9	\$ 3.8	\$ 3.8
35%	Workforce Education Fund	\$ 4.4	\$ 8.8	\$ 8.8
25%	South Dakota Housing Opportunity Fund	\$ 3.1	\$ 6.3	\$ 6.3
5%	REDI Fund (SDCL: Section 1-16G-3)	\$ 0.6	\$ 1.3	\$ 1.3

Illustration of distribution amounts if FY15 estimated ongoing receipts of \$50 million are realized in future years Table by SD B&PP based on SB235.

¹ <http://www.sdtreasurer.gov/unclaimed-property/fag/>

² ibid

³ 11-13-13 and 11-19-13 email explanations provided by Administrator of SD Unclaimed Property Division

⁴ <http://www.sdtreasurer.gov/about/sdclannualreport/> 2003 to 2013

⁵ http://bfm.sd.gov/budget/BiB/SD_BIB_FY2014.pdf footnotes I, L, M on pages 2-3.

⁶ <http://bfm.sd.gov/econ/Revenueestimates2013.pdf> page 27

⁷ Subcommittee on Revenue Projections Report, SD Legislature 3-5-13.

⁸ <http://news.sd.gov/newsitem.aspx?id=15409>

⁹ 11-12-13 SD B&PP phone interview with Administrator, State Treasurer’s Unclaimed Property Division

¹⁰ <http://legis.state.sd.us/sessions/2013/Bill.aspx?File=SB235ENR.htm>

¹¹ SB235 includes a caveat cancelling this distribution requirement, if “the projected ongoing revenues adopted by the Legislature for the prospective fiscal year are insufficient to accommodate: (1) The statutory increases for state aid to K-12 general education, special education, and the technical institutes; (2) Projected Title XIX and the Title XXI spending adjusted for increased provider payments, increased utilization, or enrollment growth, and as affected by any reduction in the Federal medical assistance percentage; and (3)The state employee salary policy increase, commensurate with the K-12 inflationary