



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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Bill Number: H. 3852 As signed by the Governor on June 11, 2015  
 Author: Tallon  
 Requestor: Senate Judiciary  
 Date: June 25, 2015  
 Subject: Escheatment to the State of Unclaimed US Savings Bonds  
 RFA Analyst(s): Walling, Fulmer, and Shuford

**Estimate of Fiscal Impact**

|                                  | <b>FY 2015-16</b> | <b>FY 2016-17</b> |
|----------------------------------|-------------------|-------------------|
| <b>State Expenditure</b>         |                   |                   |
| General Fund                     | \$0               | \$0               |
| Other and Federal                | \$109,475         | \$59,475          |
| Full-Time Equivalent Position(s) | 1.00              | 1.00              |
| <b>State Revenue</b>             |                   |                   |
| General Fund                     | N/A               | N/A               |
| Other and Federal                | \$0               | Minimal           |
| <b>Local Expenditure</b>         | N/A               | N/A               |
| <b>Local Revenue</b>             | N/A               | N/A               |

**Fiscal Impact Summary**

This bill as amended has no impact on General Fund or Federal Fund expenditures. Additional Other Fund authorization will be required for the expected non-recurring and recurring expenditures of \$109,475 in FY 2015-16. Recurring expenditures of \$59,475 are anticipated for FY 2016-17 and each year thereafter.

We estimate that no revenue from payments by the US Treasury to South Carolina's unclaimed property account for abandoned and unclaimed US savings bonds will be collected in FY 2015-16. Any payments in future years will increase Other Fund unclaimed property revenue by a minimal amount.

**Explanation of Fiscal Impact**

**Explanation of Amendment (May 12, 2015) – By the House of Representatives**

**State Expenditure**

This bill adds Section 27-18-75 to address procedures for abandoned and unclaimed US savings bonds registered to a person with a last known address in South Carolina to become property of the State. The abandoned and unclaimed bonds become property of the State five years after the maturity date, and the bonds no longer collect interest. The State Treasurer's Office may be reimbursed for the expenditures required by this section. Additionally, the bill adds Section 27-18-76 to provide procedures related to a person making a claim for a US savings bond that has previously escheated to the State.

The State Treasurer's Office indicates they will need \$109,475 in additional Other Fund authorization in FY 2015-16 for non-recurring expenses of \$50,000 and recurring expenses of \$59,475. The non-recurring authorization is due to the expense of initiating an action to obtain custody of savings bonds in possession of the US Treasury. The recurring authorization for the ongoing administration of the program is due to the additional expense of \$51,475 for the salary and fringe of one additional FTE and \$8,000 in administrative operating costs.

### **State Revenue**

This bill allows the State Treasurer's Office to commence civil actions in the court of common pleas in Richland County for a determination that abandoned and unclaimed US savings bonds shall escheat to the State. All property rights to the bonds upon this determination will vest solely with the State. Current US Department of the Treasury policy is that they will recognize claims where the States have legal ownership of the bonds pursuant to escheat proceedings. South Carolina, under current unclaimed property statutes, is considered more of a custodian of the abandoned securities, not the owner.

In other words, passage of this bill may allow the US Treasury to pay claims for payment of abandoned and unclaimed US saving bonds that escheat to South Carolina. The US Treasury's Bureau of Fiscal Services reports there are over \$16 billion matured and unredeemed savings bonds nationwide. Based on population, about \$240 million in bonds may belong to people with a last known address in South Carolina.

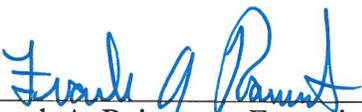
However, Kansas is currently the only state that has received payment from the US Treasury for claims for payment of abandoned and unclaimed US savings bonds, and the \$861,000 payment in 2014 was the result of a fourteen year lawsuit. The US Treasury is appealing this award. Based on the US Department of the Treasury's unwillingness to recognize state claims for the abandoned and unclaimed US savings bonds, we estimate that no revenue will be collected in FY 2015-16. Any payments in future years will increase Other Fund unclaimed property revenue by a minimal amount.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director