

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m. ~~p.m.~~ on March 1, 1983 in room 529-S of the Capitol.

All members were present except:

Sen. Hess - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor's Office

Conferees appearing before the committee:

Laurine R. Kreipe, Office of State Treasurer

The minutes of February 25 were approved.

The chairman said that he had visited with Sen. Mulich about SB 123 which had been scheduled to be heard and that he had related the committee's discussion of the bill to him. Since Sen. Mulich was not present, the chairman began the hearing on SB 215 which amends the Unclaimed Property Act.

Laurine R. Kreipe, administrative officer of the Office of State Treasurer, appeared in support of SB 215. (See Attachment I).

Sen. Feleciano asked how well the Act had done since passed in 1979. Mrs. Kreipe answered that \$6 3/4 million dollars had been reported to the State Treasurer and that one half million dollars had been returned to the owners. The chairman said the committee's question was if the owner is not concerned, why would the state be interested. Mrs. Kreipe answered that the state could bring in the stocks and sell them. Sen. Karr asked if all states have what is included in SB 215. Mrs. Kreipe said that all but two have it. Sen. Pomeroy suggested that staff review the Uniform Unclaimed Property Act to see how it compares with the current statutes. Mrs. Kreipe said that she would send a current copy of it to be reviewed. The hearing on SB 215 was concluded.

The next meeting will be held on March 2.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-1-83	Jimmy Walker	12806 W. 69 th St	Trailridge Jr. High
3-1-83	Stuart Love	7325 Goodland	Trailridge Jr. High
3-1-83	Kai Chang	11005 W. 72 nd Terr.	Trailridge Jr. High
3-1-83	Lisa Nelson	7923 Noland Rd ^(Lenexa)	Trailridge Jr. High
3-1-83	Kelly Rawlings	7808 Calven W. Dr.	Trailridge Jr. H.
3-1-83	Sharon Marraughty	15200 W 79 th St	Trailridge Jr. H.
3-1-83	Susan Bokun	12904 W. 78 th St.	Trailridge Jr. High
3-1-83	Keshe Pardon	12916 W. 77 th St.	Trailridge Jr. High
3-1-83	Liz Rowe	7017 Parkhill Shawnee, KS	Trailridge Jr. High
3-1-83	Carrie Berge	13303 W 82 nd Lenexa, KS	Trailridge Jr. High

SENATE BILL NO. 215

The Unclaimed Property Division of the State Treasurer's Office deals with two types of stock and securities. First, there are the stock and securities which we presently receive under K.S.A. 58-3905 which has been in the possession of the issuing company and is undeliverable or presumed abandoned.

Second, there are what we call underlying shares, and Section 1(b)(1) and (2) of this Bill covers underlying shares of stock and securities which is stock and securities in the possession of the owner.

Dividends on the underlying shares are presently being reported as abandoned property but it has generally been assumed that the Kansas Disposition of Unclaimed Property Act did not cover shares of stock unless they were in the actual possession of the issuer as undeliverable stock.

Two major concerns have been expressed with the concept of presuming abandonment of underlying stock interests. The first deals with the evidential showing necessary to raise a presumption of abandonment, and the second concerns the rights of the various parties when underlying stock interests are presumed abandoned.

Sec. (b)(1) requires that the owner has neither claimed a dividend or any sum for seven years, nor corresponded in writing with the business or indicated any interest. Sec. (b)(2) requires also that the association does not know the location of the owner at the end of the seven-year period. The writing or indication of interest and ownership knowledge would cover presumption of abandonment of non-dividend paying stock.

If the conditions leading to presumption of abandonment have occurred, the holder must report to the State Treasurer pursuant to K.S.A. 58-3912. The State Treasurer then advertises the existence of the property and sends notice to owners of property valued at \$25 or more.

Many owners will be located through the publication and mail notice of the Act. In the event that abandonment is presumed and the owner subsequently appears, there have been at least three formal opportunities to reunite that owner with the issuer before a duplicate certificate is turned over to the State Treasurer.

If the owner is not located, however, a duplicate certificate will be issued to the State Treasurer for the benefit of the owner pursuant to Sec. 2(b) of the Bill. Thereafter, if the owner appears, the duplicate certificate may be claimed from the State Treasurer. Sec. 3(b) is designed to encourage the State Treasurer to hold the certificate for at least three years. If the stock is sold after three years and the owner appears after his interest has been sold, the owner will receive the net proceeds of sale.

Attachment I

The issuer who delivers a duplicate certificate under the Act is protected, since upon delivery it is relieved of all liability to the extent of the value of the property delivered under K.S.A. 58-3915.

Sec.3(c) of the Bill provides authorization to sell securities on the stock exchange, or other methods for nontradable stock. Previously all abandoned property received by the State Treasurer and eligible to be sold was required to be sold by publication for three weeks and public auction. It would be more convenient and practical to sell securities as set out in Sec. 3(d) of the Bill.

Sec. 3(f) provides for the disposition of property which has no commercial value. As an example, the contents of safety deposit boxes often include such items as rent receipts, personal correspondence and lapsed insurance policies. In such cases, these contents might have some personal significance to the owner which the Treasurer would take into consideration in determining for what period of time after one year she will hold the property awaiting a claim by the owner. However, in the usual situation there will be no interest to be preserved by maintaining this property under state custody.

Under 3(f) the Treasurer would be free to dispose of the property with no commercial value. Further, the Treasurer could transfer it to other agencies or institutions which might have an interest in the property because of its historical value or other independent significance.

The section also provides that the Treasurer in exercising her discretion in disposing of such property shall not be subject to a claim by the missing owner.

Sec. 4 provides for the reporting of unclaimed wages within one year instead of the normal seven-year period. It is the feeling of the State Treasurer that unclaimed wages should be presumed abandoned at an earlier period than that for other property since the chance of locating the missing owner of a wage check materially decreases with the passage of time.

Sec. 5 provides an opportunity for the State Treasurer to publish unclaimed property which has been received and also provides for additional time for the owners to file claims before property finders, or ferrets as we call them, are permitted to come in to locate property of owners on a commission basis.

The U. S. Supreme Court has ruled that where the state of the last known address does not, at the time in question, provide for escheat of the property, the state of corporate domicile could escheat the property, subject to the right of the state of the last known address to recover it if and when its law made provision for escheat or custodial taking of such property. Under K.S.A. 58-3928 the Kansas Act does not apply to any property presumed abandoned or escheated under the laws of another state prior to the effective date of this Act which is July 1, 1979.

As an example, the State of California is now holding \$43,620 belonging to owners with last known addresses in Kansas for unclaimed travelers checks sold in Kansas in the years 1954 through 1963. California takes the position that property which escheated to California prior to July 1, 1979, the date of our Act, would not fall within the purview of the Kansas Act under K.S.A. 58-3928. If 3928 is repealed, California has indicated it could transfer the money to us pursuant to the Texas v. New Jersey Supreme Court decision.

I also respectfully request that Sec. 7 be amended to make the law effective upon publication in the Kansas Register rather than July 1. This would give authority to sell stock hopefully while the market is still high.

By: Laurine R. Kreipe
Administrative Officer
Office of State Treasurer