

Approved: February 5, 1996
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Vice-Chairperson Les Donovan at 3:30 p.m. on January 31, 1996 in Room 527S-of the Capitol.

All members were present except: Representative Delbert Crabb
Representative Phill Kline
Representative Tom Sawyer
Representative Gwen Welshimer

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Jim Kent, State Treasurer's Office
Danielle Noe, Kansas Credit Union Association
Matt Goddard, Heartland Community Bankers Assoc.

Others attending: See attached list

Hearing on HB 2683 - Unclaimed property bank deposits and funds

Jim Kent, Director of the Unclaimed Property Division of the State Treasurer's Office, said the bill would provide some relief to holders by reducing potentially unnecessary paperwork as well as reducing the labor intensive process performed by his staff to audit and code holder reports (Attachment 1). The bill would define the occasions when a demand or savings account at a bank or financial organization must be presumed abandoned. Another amendment would increase from \$25 to \$50 the dollar value of property presumed abandoned for which holders must provide mandatory notice to owners as well as report detailed information to the State Treasurer. Anything under \$50 would be reported in the aggregate. The third section would increase the dollar value to \$50 for abandoned property for which the State Treasurer must advertise owner information and it would eliminate the requirements that they must advertise in a statewide newspaper. The State Treasurer would be allowed to determine the manner in which advertisement is made.

Danielle Noe, Kansas Credit Union Association, testified in support of the bill which would allow financial institutions to use return mail as an indication of the status of the property (Attachment 2). She explained that their members' data systems will not cross reference accounts to see if other accounts in the customer's name are active. This search must be done manually within their systems. Ms. Noe requested an amendment which would increase the amount from \$25 to \$50 before a second notice of the implementation of a dormancy charge is sent to the customer. The State Treasurer's office voiced agreement with the proposed amendment.

Matt Goddard, Vice-President of Heartland Community Bankers Association, appeared in support of the bill which restores to the statutes the provision that a demand or savings account would not be presumed abandoned if mail to the account owner has not been returned to sender (Attachment 3). The customer could be ensured that their funds are available at their local financial institution even though there may not have been account activity in quite some time.

The meeting was adjourned at 4:03 p.m. The next meeting will be held February 1, 1996.



STATE OF KANSAS

Sally Thompson
TREASURER

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Testimony in Support of House Bill No. 2683
House Financial Institutions and Insurance Committee
Wednesday, January 31, 1996
Jim Kent
Office of the State Treasurer

Mr. Chairman, members of the committee, thank you for the opportunity to appear before the committee in support of House Bill 2683. My name is Jim Kent. I am Director of the Unclaimed Property Division within the office of the State Treasurer, Sally Thompson.

Two years ago the legislature passed Senate Bill 393 completely overhauling the state's unclaimed property law. The purpose of House Bill 2683 is to provide some relief to holders by reducing potentially unnecessary paperwork as well as reducing the labor intensive process performed by my staff to audit and code holder reports.

The proposed amendments are as follows:

Section 1 - Amendment of KSA 58-3939 to further define the occasions when a demand or savings account at a bank or financial organization must be presumed abandoned.

Under the current law, if I opened a \$5,000 savings account to help pay for my son's college tuition, and just left it set for 5 years, receiving my monthly statements, that account could be presumed abandoned and turned over to the state as unclaimed property, if I did not respond to a due diligence notification. It is our position that as long as regular correspondence has not been returned to the sender, we should not assume the account to be abandoned.

The office has recieved numerous calls and letters expressing support for this proposed amendment from banks and other financial institutions. This amendment would reduce the number of accounts for which notice, reporting and remittance is required.

James F. D. D.
Attachment 1-
1-31-96

Section 2 - Amendment of KSA 58-3950 to increase from \$25 to \$50 the dollar value of property presumed abandoned for which holders must provide mandatory notice to owners as well as report detailed information to the State Treasurer.

Generally, for property valued at \$25 or more, holders complete owner notification requirements and then report specific detailed information on property presumed abandoned to the State Treasurer. For similar property valued at less than \$25, the holder is allowed to report in the aggregate, which alleviates the notification requirements and the reporting of detailed information.

The proposed amendments would raise the dollar limit to \$50 or more providing significant reporting and notification relief to all holders. According to the National Association of Unclaimed Property Administrators, 29 states currently use aggregate dollar amounts of \$50 or more. The volume of holder reports processed by the Treasurer's Office has tripled in the last five years from 1,500 to over 5,000. As the number of reports increases, the time and resources needed to audit and process those reports also increases. Raising the aggregate amount to \$50 or more will allow my staff to process holder reports in a more efficient and timely fashion.

Section 3 - Amendment of KSA 58-3951 has two parts:

First, to increase the dollar value of abandoned property for which the State Treasurer must advertise owner information. The proposed increase from \$25 to \$50 or more parallels the proposed increases to dollar amounts described in section 2.

Second, to eliminate the requirement of current law that the Office of the State Treasurer annually advertise in a newspaper generally circulating in this state, information concerning unclaimed property remitted in the previous year.

The State Treasurer has implemented more complete and less costly ways of advertising names of apparent owners. The State Treasurer provides each county clerk and county treasurer a listing of apparent owners with an address in Kansas, not just the property remitted in the previous year. The listings are updated twice a year, in January and July after the November and May reporting cycles. In addition, electronic data files of all apparent owners are provided to Kansas INK on a monthly basis.

The proposed amendment to KSA 58-3951 will give the State Treasurer discretion to determine the manner in which advertisement is made.

Summary

In summary, the proposed amendments to the uniform unclaimed property act found in House Bill 2683 will benefit holders by reducing the overall burden of required notification and reporting paperwork, will increase the efficiency of auditing and coding holder reports, will enhance the ability of unclaimed property staff to process higher volumes of holder reports, and provide more flexibility to administer the program.

I've attached two pieces of information for your review: the first is statistical information regarding the unclaimed property program and the other represents the number of properties published compared to the number of properties available in each county.

I would be happy to answer questions.

attachments

ATTACHMENT A

HOLDER REPORTS FILED - FISCAL YEAR

1991	1992	1993	1994	1995	1996 YTD
1,504	1,397	2,136	4,922	5,384	1,115

AMOUNT FILED - FISCAL YEAR

1991	1992	1993	1994	1995	1996 YTD
\$4,218,294	\$4,307,781	\$4,510,735	\$25,518,553	\$10,105,896	\$6,482,182

Life of the System - Total Records - as of December 1995

	Count	Dollars
Property Reported	403,742	\$81,462,040
Paid	86,566	\$23,847,621
Current Unpaid	317,176	\$57,614,419

Life of the System - Records \$25 to \$50 - as of December 1995

	Count	Dollars
Property Reported	82,238	\$2,857,085
Paid	20,336	\$710,483
Current Unpaid	61,902	\$2,146,602

Records above \$50 represents approximately 80% of the property and 97% of the do

ATTACHMENT B

COUNTY	TOT	PUB	COUNTY	TOT	PUB
Allen County - Iola	1,094	457	Linn County - Mound City	462	181
Anderson County - Garnett	498	155	Logan County - Oakley	338	92
Atchison County - Atchison	1,591	680	Lyon County - Emporia	4,001	1,708
Barber County - Medicine Lodge	1,178	329	Marion County - Marion	905	223
Barton County - Great Bend	3,030	1,066	Marshall County - Maryville	5,950	298
Bourbon County - Fort Scott	2,401	533	McPherson County - McPherson	2,969	1,067
Brown County - Hiawatha	1,056	253	Meade County - Meade	538	163
Butler County - El Dorado	4,527	1,724	Miami County - Paola	1,595	551
Chase County - Cottonwood Falls	291	93	Mitchell County - Beloit	545	136
Chautauqua County - Sedan	560	144	Montgomery County - Independence	5,702	1,911
Cherokee County - Columbus	2,052	784	Morris County - Council Grove	903	300
Cheyenne County - St. Francis	323	87	Morton County - Elkhart	360	93
Clark County - Ashland	567	131	Nemaha County - Seneca	625	180
Clay County - Clay Center	821	249	Neosho County - Erie	1,266	391
Cloud County - Concordia	1,025	311	Ness County - Ness City	616	144
Coffey County - Burlington	734	249	Norton County - Norton	610	144
Commanche County - Coldwater	203	56	Osage County - Lyndon	937	277
Cowley County - Winfield	3,134	1,343	Osborne County - Osborne	663	176
Crawford County - Girard	3,235	1,319	Ottawa County - Minneapolis	478	107
Decatur County - Oberline	371	124	Pawnee County - Larned	705	182
Dickinson County - Abilene	1,557	504	Phillips County - Phillipsburg	641	125
Doniphan County - Troy	1,059	183	Pottawatomie County - Westmoreland	1,250	125
Douglas County - Lawrence	8,119	3,724	Pratt County - Pratt	1,038	477
Edwards County - Kinsley	481	119	Rawlins County - Atwood	353	94
Elk County - Howard	711	478	Reno County - Hutchinson	7,547	2,591
Ellis County - Hays	2,032	478	Republic County - Belleville	594	155
Ellsworth County - Ellsworth	520	138	Rice County - Lyons	1,144	268
Finney County - Garden City	4,204	2,288	Riley County - Manhattan	5,938	2,629
Ford County - Dodge City	4,352	1,796	Rooks County - Stockton	791	223
Franklin County - Ottawa	2,067	706	Rush County - LaCrosse	467	68
Geary County - Junction City	6,179	3,689	Russell County - Russell	1,450	318
Gove County - Gove	286	75	Saline County - Salina	5,266	2,053
Graham County - Hill City	410	95	Scott County - Scott City	659	194
Grant County - Ulysses	628	193	Sedgwick County - Wichita	77,673	26,425
Gray County - Cimarron	741	182	Seward County - Liberal	2,614	1,287
Greeley County - Tribune	256	56	Shawnee County - Topeka	34,184	12,164
Greenwood County - Eureka	902	301	Sheridan County - Hoxie	282	60
Hamilton County - Syracuse	526	133	Sherman County - Goodland	625	198
Harper County - Anthony	633	184	Smith County - Smith Center	263	79
Harvey County - Newton	2,259	788	Stafford County - St. John	579	180
Haskell County - Sublett	473	168	Stanton County - Johnson City	266	88
Hodgeman County - Jetmore	262	52	Stevens County - Hugoton	528	231
Jackson County - Holton	788	52	Sumner County - Wellington	2,567	883
Jefferson County - Oskaloosa	1,115	245	Thomas County - Colby	743	203
Jewell County - Mankato	311	101	Trego County - Wakeeney	274	72
Johnson County - Olathe	39,369	20,210	Wabaunsee County - Alma	521	138
Kearny County - Lakin	353	124	Wallace County - Sharon Springs	173	41
Kingman County - Kingham	869	211	Washington County - Washington	756	159
Kiowa County - Greensburg	513	118	Wichita County - Leoti	419	102
Labette County - Oswego	2,030	767	Wilson County - Fredonia	1,404	396
Lane County - Dighton	236	53	Woodson County - Yates Center	469	133
Leavenworth County - Leavenworth	4,805	2,245	Wyandotte County - Kansas City	29,894	12,520
Lincoln County - Lincoln	435	76			

Kansas
Credit
Union
Association

Testimony on HB 2683
AN ACT concerning unclaimed property
Presented to the
House Financial Institutions and Insurance Committee
January 31, 1996

Thank you Mr. Chairman and members of the Committee:

I am Danielle Noe and I am here on behalf of the Kansas Credit Union Association and its 160 member credit unions. Our members serve over 600,000 Kansans.

We are here today to support HB 2683 relating to unclaimed property.

In 1979 the Disposition of Unclaimed Property Act was enacted to supersede the state escheat law. Some of you will recall that the Unclaimed Property Act was once again rewritten during the 1994 session as SB 393. The Kansas Credit Union Association has always thought of this Act as pro-consumer legislation.

HB 2683 was recommended due to concerns that have been raised since the 1994 changes.

The first change (page 2, line 14) relates to how a financial institution determines when property is abandoned. Beginning with the 1979 Act, financial institutions have been allowed to use returned mail as an indication that property may be unclaimed. Conversely, it was presumed that if regular correspondence was not returned to the sender, the property was presumed to be claimed.

During the revision of the unclaimed property act two years ago this provision was not included. HB 2683 would put back into the Act a provision

*House FD&D
Attachment 2
1-31-96*

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allowing financial institutions to use return mail as an indication of the status of the property.

The current act allows financial institutions to use other account activity as a presumption that the dormant account is also claimed. Practically speaking, our members' data systems will not cross reference accounts in that manner. Essentially, our members must first find the dormant accounts that fit the definition of unclaimed property. Then they must manually search all of their accounts to determine whether or not the owner of the unclaimed account has another account which is not a dormant account.

If our members were allowed to use returned mail as a way to determine whether an account is claimed, it would not only simplify the process but it would also ensure that only the property which is truly unclaimed escheats to the state.

The second change in HB 2683 (section 2) relates to the information which must be reported to the treasurer's office. The change will increase to \$50 the value of property which must be reported individually to the state. The current statute says that if the unclaimed property (with some exceptions) has a value of less than \$25 it can be reported in the aggregate. We feel that this change will reduce the amount of time it takes our members to fill out the forms required by this Act.

The third change in HB 2683 (page 3, line 19) relates to those account owners which must be given additional notice that their account is about to be subject to custody of the treasurer. This change would also increase to \$50 the value of property which requires this notice. Again, we believe that this change will reduce the time that our members must spend reviewing their dormant accounts.

Mr. Chairman, the changes in HB 2683 are offered in an attempt to simplify the procedures required under the Unclaimed Property Act. We ask that you will act favorably on HB 2683.

Mr. Chairman and members of the Committee:

We would like to request consideration of an amendment to HB 2683.

K.S.A. 58-3935, relates to the notice requirements before a financial institution can impose a dormancy fee. When a member opens an account, they contract at that time to pay a dormancy charge. Currently, this section requires a

second notice prior to the imposition of a charge when the dormant account has a value of \$25 or more. We would like to see this increased to \$50. We believe that this amendment will simply provide consistency within the act because of the increase in the value of property which requires additional notice and information under the Act.

We hope that you will consider this amendment favorably.

58-3935. Property presumed abandoned; general rule. (a) Except as otherwise provided by this act, all intangible property, including any income or increment derived therefrom, that is held, issued or owing in the ordinary course of a holder's business and has remained unclaimed by the owner for more than five years after it became payable or distributable is presumed abandoned.

(b) Property is payable or distributable for the purpose of this act notwithstanding the owner's failure to make demand or to present any instrument or document required to receive payment.

(c) A holder may not impose with respect to any property payable or distributable for the purpose of this act, including any income or increment derived therefrom, any fee or charge due to dormancy or inactivity or cease payment of interest unless:

(1) There is an enforceable written contract between the holder and the owner of the property pursuant to which the holder may impose a charge or cease payment of interest;

(2) for property in excess of ~~\$25~~ \$50, the holder, no more than three months before the initial imposition of those charges or cessation of interest, has mailed written notice to the owner of the amount of those charges at the last known address of the owner stating that those charges will be imposed or that interest will cease, but the notice provided in this section need not be given with respect to charges imposed or interest ceased before the effective date of this act, or for property described in K.S.A. 58-3937 and 58-3938, and amendments thereto; and

(3) the holder regularly imposes such charges or ceases payment of interest and in no instance reverses or otherwise cancels them or retroactively credits interest with respect to the property. Charges imposed because of dormancy or inactivity may be made and collected monthly, quarterly or annually except that beginning with the effective date of this act, such charges may only be imposed for a maximum of five calendar years.

History: L. 1994, ch. 8, § 2; March 3.



Matthew S. Goddard, Vice President

700 S. Kansas Ave., Suite 512
Topeka, Kansas 66603
(913) 232-8215

To: House Financial Institutions and Insurance Committee

From: Matthew Goddard
Heartland Community Bankers Association

Date: January 31, 1996

Re: House Bill No. 2683

The Heartland Community Bankers Association appreciates the opportunity to appear before the House Committee on Financial Institutions and Insurance in support of HB 2683.

This bill would restore a provision to the state statute concerning unclaimed funds that was omitted when it was rewritten by the legislature in 1994. With passage of HB 2683, a demand or savings account would not be presumed abandoned if mail to the account owner has not been returned to sender. The bill also raises the threshold amount from \$25 to \$50 for a variety of reporting requirements.

The primary burden imposed on financial institutions by unclaimed property is one of simple reporting. Our membership tries to find the owners of dormant accounts. As long as the account owner is receiving correspondence about their account, regardless of any account activity, we see little justification in assuming abandonment and surrendering their funds to the state. For the customer, HB 2683 helps ensure that their funds are available at their local financial institution even though there may not have been account activity in quite some time.

We respectfully request that the House Committee on Financial Institutions and Insurance recommend HB 2683 for passage.

Thank you.

*House FDsD
Attachment 3
1-31-96*