

- SUBJECT:** Shortening the period before unclaimed property reverts to the state
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 8 ayes — Hilderbran, Otto, Elkins, Gonzalez, Martinez Fischer, Murphy, Ritter, Woolley
- 0 nays
- 3 absent — Christian, Lyne, Villarreal
- WITNESSES:** For — (*Registered, but did not testify:* Michael Peterson, AT&T)
- Against — None
- On — (*Registered, but did not testify:* Robert Norris, Legislative Budget Board)
- BACKGROUND:** In Texas, after a dormancy period, unclaimed property is turned over to the Comptroller's Office, which tries to locate the rightful owner. Property is declared unclaimed after a set dormancy period that starts after the last act of ownership. This is usually defined as a transaction or communication with the business holding the property.
- The Property Code and comptroller rules set the dormancy periods for different types of unclaimed property. Property Code, sec. 72.103, sets the dormancy period for money orders at seven years. Sec. 73.101 sets the dormancy period for bank accounts at five years. Comptroller rule sets the dormancy period for utility deposits at three years.
- DIGEST:** CSHB 257 would reduce the dormancy period for unclaimed money orders from seven years to three, bank accounts from five years to three, and utility deposits from three years to one. The bill would define utility deposits.
- The bill also would increase the fee per month a holder of an unclaimed money order may charge for maintenance from 50 cents to one dollar.

The bill would take effect on September 1, 2011, and would apply only to maintenance charges on unclaimed money orders on or after that date.

**SUPPORTERS  
SAY:**

CSHB 257 would implement one of the LBB's recommendations from the January 2011 Texas State Government Effectiveness and Efficiency Report (GEER). According to the GEER recommendation, reducing the dormancy period to three years for bank accounts, matured certificates of deposit, and money orders, and to one year for utility deposits would improve the comptroller's unclaimed property return rates to rightful owners. Return rates deteriorate the longer property remains unclaimed. Owners are more likely to be in the same area and to use the same name as before their property was turned over to the state. Increasing the likelihood of finding owners would improve return rates and could encourage others to search the comptroller's unclaimed property website.

States are shortening the dormancy periods of unclaimed property. Since 2006, 15 states have done so for securities, bank accounts, and financial instruments. Currently, 19 states have three-year dormancy periods for bank accounts. Eighteen states have three-year dormancy periods for certificates of deposit. Thirty-three states have a one-year dormancy period for utility deposits.

According to the LBB's fiscal note, CSHB 257 would result in an additional \$72 million in general revenue for fiscal 2013. This would be a one-time gain because what normally would be several years of dormancy for unclaimed accounts would be accelerated when the bill takes effect so that more accounts would be transferred to the state in one reporting year. While shortening the dormancy period should make it easier to locate account holders in the future and ultimately may mean that fewer of these accounts would be transferred to the state, the future loss to general revenue cannot be estimated.

The bill would increase the fee per month the holder of a money order could charge in order to allow holders to recover revenue lost under the bill that they receive under current law. Current law has a dormancy period of seven years. This allows holders a relatively long period to accrue interest and fees off of unclaimed money orders. The industry in Texas is dependent on the long period and fees to make a profit because the initial fees on money orders are relatively low in Texas compared to other states. The bill would increase the allowable monthly fee to \$1 in

order to make up for interest and fee periods lost by compressing the dormancy period from seven to three years.

**OPPONENTS  
SAY:**

Some industries might lose valuable fees or interest on unclaimed property because the dormancy period would be shortened under the bill. These industries often rely on these funds as a basic part of their business model.