



# Oregon

Theodore R. Kulongoski, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregonstatelands.us](http://www.oregonstatelands.us)

### State Land Board

Theodore R. Kulongoski

Governor

Kate Brown

Secretary of State

Ben Westlund

State Treasurer

## M E M O R A N D U M

February 10, 2009

**To:** Governor Theodore R. Kulongoski  
Secretary of State Kate Brown  
State Treasurer Ben Westlund

**From:** Louise Solliday, Director

**Subject:** Annual Report on the Unclaimed Property Program

### HISTORY

Oregon's unclaimed property statutes date back to 1957. Originally, the law was a 25-year escheat that only applied to financial institutions. The statutes have changed significantly over the past 50-plus years and are now applicable to every type of industry, and include a wide variety of property types that are held in perpetuity for the rightful owner or owner's heirs.

Businesses and other organizations, known as holders, are required to report and remit unclaimed property to the state when the owner cannot be located or contacted for a specific period of time. Holders report annually, between October 1 and November 1, to the Department of State Lands.

The unclaimed property section processes the holder reports and maintains a database of over one million owner names and properties. The section actively seeks owners, provides an online owner search, and reviews and approves payment of claims.

### GROWTH OF THE PROGRAM

Receipts continue to grow at a fairly steady pace as evidenced by a total of \$51.8 million in fiscal year 2008, an increase of \$6.6 million over fiscal year 2007. We believe this demonstrates compliance outreach and education efforts are succeeding both within the state and nationally.



Over time, refunds paid is trending upward but showed some downturn in 2006 and 2007. Fiscal year 2008 refunds rose substantially to \$11.8 million, an increase of \$5 million over fiscal year 2007. Refunds paid vary by year for a variety of factors including the accuracy of data reported, and the dollar value of claims that happen to be selected during a particular year. We are continuing to improve the factors we control including owner outreach events, owner research and location efforts, and technology advances that make it easier to pursue claims. The attached charts and accompanying spreadsheet show the historic growth and projections for the program's receipts and claim payments (Appendix A).

Response time on all inquiries or claims coming into the office continues to be less than sixty days. Our finder service to locate owners of higher valued properties continues to be successful. We are reviewing a new batch service from a service provider that would automate the initial finder service work. The initial test batch reviewed 500 names and produced updated address information on over 200 owners overnight. This review would have taken one of our staff up to a week to complete; checking names one at a time.

This year, we managed two owner outreach events at the Latino Employment Fair and the Lebanon Strawberry Festival. Over 500 attendees were able to search the owner database at our booth. The program is expanding this effort into the new fiscal year. We have already completed two additional outreach events in McMinnville and Polk County. To educate companies on reporting, we conducted eight reporting seminars to 124 business professionals. The seminars were held in Eugene, Pendleton, and Portland. Staff also gave unclaimed property presentations to four business groups with 110 attendees. All of our outreach activities were well received and we received positive feedback in our seminar surveys.

We successfully implemented our quarterly reconciliation of the posted receipts and claim payments between the Wagers system and Statewide Financial Management Application. The reconciliation insures that both systems accurately reflect unclaimed property funds received and claims paid as recommended by the audit finding from the Secretary of State Audits Division.

DSL auditors completed 72 audits in FY 2008 that discovered \$433,018 of previously unreported property.

## **GOALS AND OBJECTIVES**

Our goals and objectives for the next year were developed from the Department's Strategic Plan for 2009-2013 and focus around the following key areas: holder compliance; owner outreach; and safeguarding assets and managing risks.

### Activities to improve holder compliance

In addition to enhancing our current holder education efforts, we will implement several new projects to increase compliance rates including:

- ◆ Reminder notices to regular reporters who do not file in the current year.
- ◆ Enhanced reporting education seminars.
- ◆ Compliance request letter to non-reporters.
- ◆ Updated compliance brochure & online reporting guides.

### Activities to improve owner outreach and customer service

We are pursuing several projects to allow us to increase our outreach and effectively manage the resulting workloads. We will:

- ◆ Utilize technology such as batching finder service candidates for updated mailing addresses, employ wand scanners, and implement online claims submittal to allow staff more time to focus on approvals.
- ◆ Streamline claims processing procedures to reduce wait times.
- ◆ Manage outreach efforts to create a more consistent workload throughout the year.
- ◆ Utilize automated features in our system to permit claimants to track the status of their claims online to reduce phone inquiries that take staff away from approvals.
- ◆ Increase electronic holder reporting to process reports quickly and transition available staff to assist with claims.

### Activities to safeguard assets

- ◆ Quarterly, we reconcile the unclaimed property database to the statewide accounting system.
- ◆ We will develop an online report filing application within a secured website to reduce the risk of accidental release of confidential data.
- ◆ The section manager will continue to participate in the National Association of Unclaimed Property Administrators to learn the best practices related to security and safeguarding unclaimed property information.

## **AUTHORIZING ENVIRONMENT**

We continue to monitor activities nationally that have implications for our program.

Current issues include:

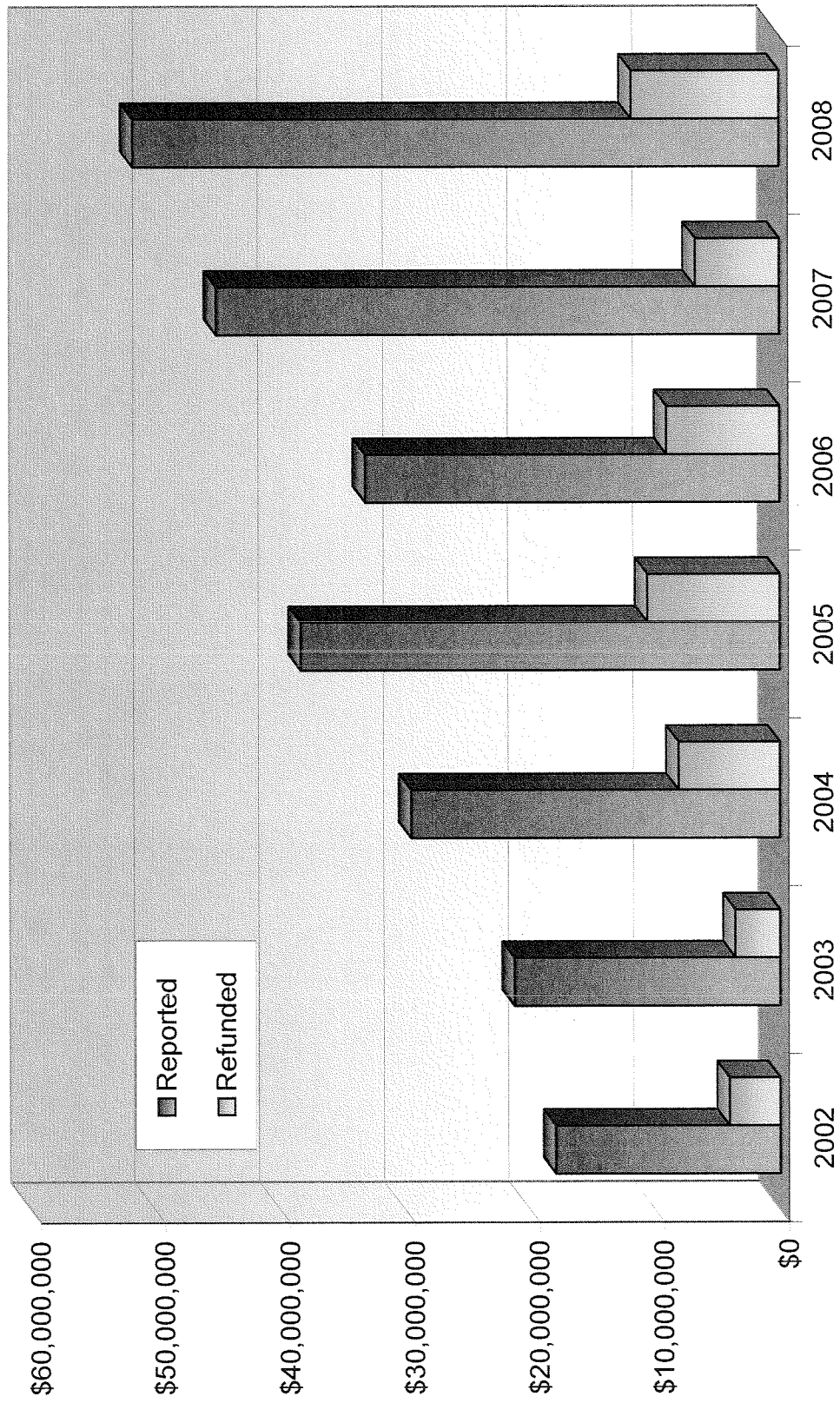
- ◆ Court actions and legislation in the State of California Unclaimed Property Program relating to allegations it has improperly managed the program.

- ◆ A holder is suing the State of Delaware. The holder is alleging improper actions by the state during a voluntary disclosure process.
- ◆ Iowa's District Court has ruled that The State of Iowa cannot represent other states in the Young America litigation regarding unclaimed rebates. DSL will be consulting with other states to determine how to proceed to gain compliance on unclaimed rebates.
- ◆ The recent financial market crisis related to sub-prime loans will impact reporting by financial institutions. Washington Mutual has notified the states it will not be reporting unclaimed property this year because it has been taken over by federal regulators. We are unsure how many financial institutions in Oregon may fail as a result of the current financial market problem. In the past, the federal insurers developed programs to transfer lost owner information and funds from failed financial institutions to the states for ten years to permit owner location activities to occur. At the end of the ten-year period, the states were required to return the remaining owner funds. We anticipate at some point the federal authorities may follow a similar course on failed banks in this crisis.

## **APPENDIX**

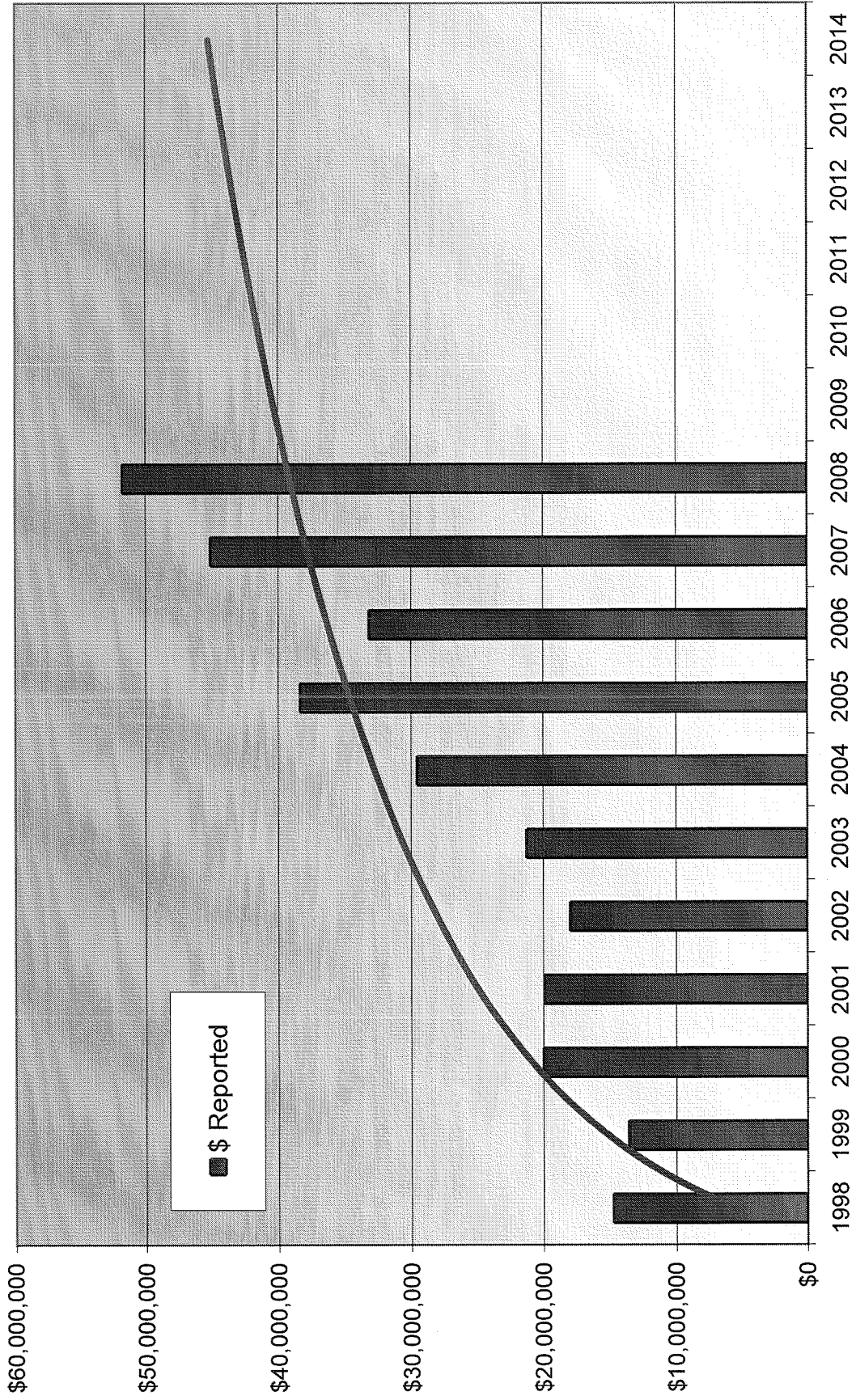
### A. Charts of unclaimed property receipts and claims

# Growth of UP Program



<i>Unclaimed Property Receipts and Claims History</i>		
<b>Fiscal Year</b>	<b>\$ Reported</b>	<b>\$ Claimed</b>
1990	\$3,523,171	\$1,072,464
1991	\$4,181,245	\$1,466,839
1992	\$7,345,535	\$1,204,758
1993	\$7,690,659	\$1,406,768
1994	\$5,928,698	\$4,399,380
1995	\$9,353,179	\$3,826,917
1996	\$11,981,813	\$3,774,044
1997	\$10,299,116	\$2,803,122
1998	\$14,770,116	\$4,885,135
1999	\$13,590,566	\$4,137,035
2000	\$19,975,167	\$5,391,854
2001	\$19,918,694	\$4,976,080
2002	\$17,965,862	\$4,070,068
2003	\$21,254,000	\$3,587,000
2004	\$29,547,000	\$8,106,000
2005	\$38,349,274	\$10,582,867
2006	\$33,186,955	\$9,027,413
2007	\$45,085,530	\$6,729,000
2008	\$51,757,168	\$11,818,437

# Receipts Projected



# Claims Projection

