

M E M O R A N D U M

April 10, 2007

To: Governor Theodore R. Kulongoski
Secretary of State Bill Bradbury
State Treasurer Randall Edwards

From: Louise Solliday
Director

Subject: Unclaimed Property Program Annual Report

The attached document is the Unclaimed Property Program's annual report to the Land Board. The report contains a brief discussion of the program's recent history, a look at current events, and an outline of program goals and objectives going forward.

Unclaimed Property
Annual Report to the State Land Board
April 2007
Cyndi Wickham, Program Manager

History:

Oregon's unclaimed property statutes, dating back to 1957, require entities known as holders to report and remit certain tangible and intangible property to the state when the owner of such property cannot be located or contacted after a certain period of time. Originally a 25-year escheat law applicable only to financial institutions, the statutes have changed significantly over the past nearly 40 years and are now applicable to every type of industry, and include a wide variety of property types which are held in perpetuity for the rightful owner or owner's heirs.

Annually between October 1 and November 1, holders report and remit unclaimed property to the Department of State Lands. The unclaimed property section processes the reports, maintaining a database of over one million names and properties. The section is also responsible for reviewing and approving payment of claims.

Growth of the Program:

The attached chart and accompanying spreadsheet show the growth of the program's receipts and claim payments for the past several years. Receipts and claims both have tripled in the past ten years and doubled in the past five years. The growth pattern can be attributed to several factors, such as:

- Increased awareness on a national and local level
- Ongoing audit program
- Changes in dormancy periods
- Corporate actions
- Rapidly evolving technology

2006-2007

The 2006 receipts are less than the previous year. The prior year's largess was due to the receipts from the demutualization of several insurance companies and the 2006 receipts reflect a return to normal trends. We anticipate another banner year for receipts in the current fiscal period due to the sale of stocks received as

a result of the demutualizations and the second reports cleaning up the records from many of those companies.

Response time on all inquiries or claims coming into the office continues to be less than thirty days. The internal process to find and contact owners of higher valued properties continues to be successful and we have lowered the threshold from \$5000 to \$1000. As of February 28, 2007, the in-house finder's service has successfully reunited people with over \$2.7 million in cash, securities, and safe deposit box contents this biennium. It is important to mention that this additional work continues to be accomplished with existing employees.

Education and outreach efforts for both holders and potential claimants continue to expand. The success of such efforts is reflected in part by the increasing number of speaking invitations from of a variety of entities ranging from payroll professionals, CPAs, health care professionals, and other state agencies. The seminars offered in conjunction with Washington and Idaho were well-received last year and we anticipate a continued partnership with our neighboring states.

Our most recent auction of unclaimed safe deposit box contents was held on March 24, 2007, at Parrish Middle School. The event was well attended as evidenced by gross sales of just over \$91,000. Our next auction is tentatively scheduled for November 2007 and we are exploring the possibility of holding it at a public school in a different part of the state.

Goals and Objectives:

Internally:

- We are again offering educational seminars around the state beginning in May. This year we are working with local area Chambers of Commerce to help promote the seminars. Our calendar includes Astoria, Coos Bay, Pendleton, Bend and many points in between. We will again partner with our neighboring states offering sessions for holders that report to both or all states.
- Claims outreach efforts this next year will include the use of a traveling program that can be set up at trade shows, fairs, expositions, etc. Initially we will be setting up the program at several of our seminars in the lobby areas. Staff is exploring possibilities of locations and partnerships that will make it cost effective and beneficial to all parties.
- The audit team is contacting holders from a wide variety of industries and conducting various types of audits focusing on education as the primary tool for gaining understanding and compliance. The self-audit program has resulted in \$455,000 being reported and remitted by holders who chose to participate during the current biennium. This program allows the

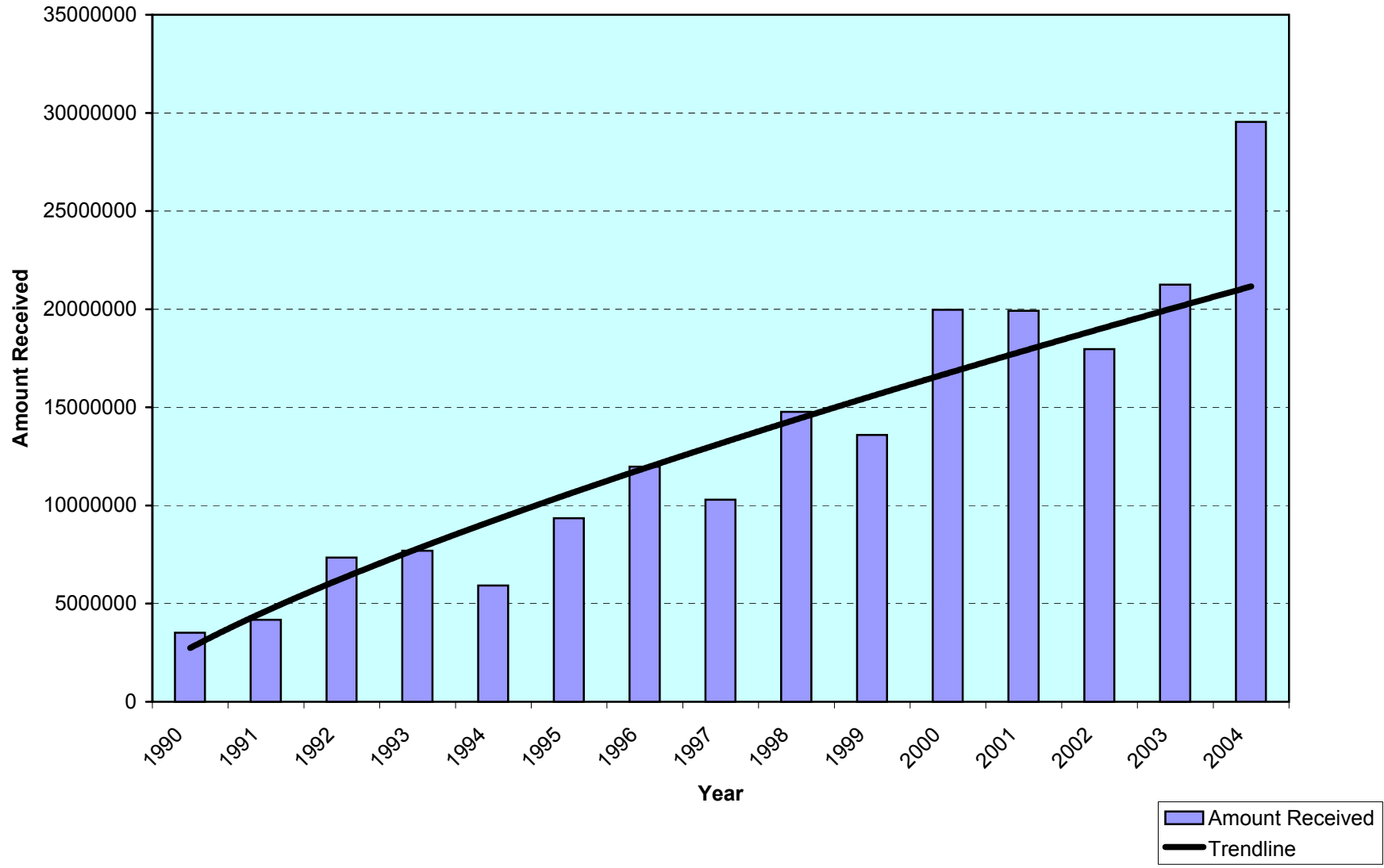
auditors additional time to work in the field with companies that require a higher level of assistance.

- Work continues on the reconciliation of the unclaimed property database to the statewide accounting system with a revised targeted completion date of August 1, 2007. The out of balance amount has been reduced from over \$8 million to about \$3 million. Existing staff in the accounting and unclaimed property sections is addressing the labor intensive and detailed project. The software provider is assisting in data cleanup and development of reports to be used in reconciliations going forward.
- The section manager continues to participate in the National Association of Unclaimed Property Administrators, currently as a member of the Executive Committee. The ongoing participation provides access to shared resources and information and the ability to keep abreast of current issues on the national level.

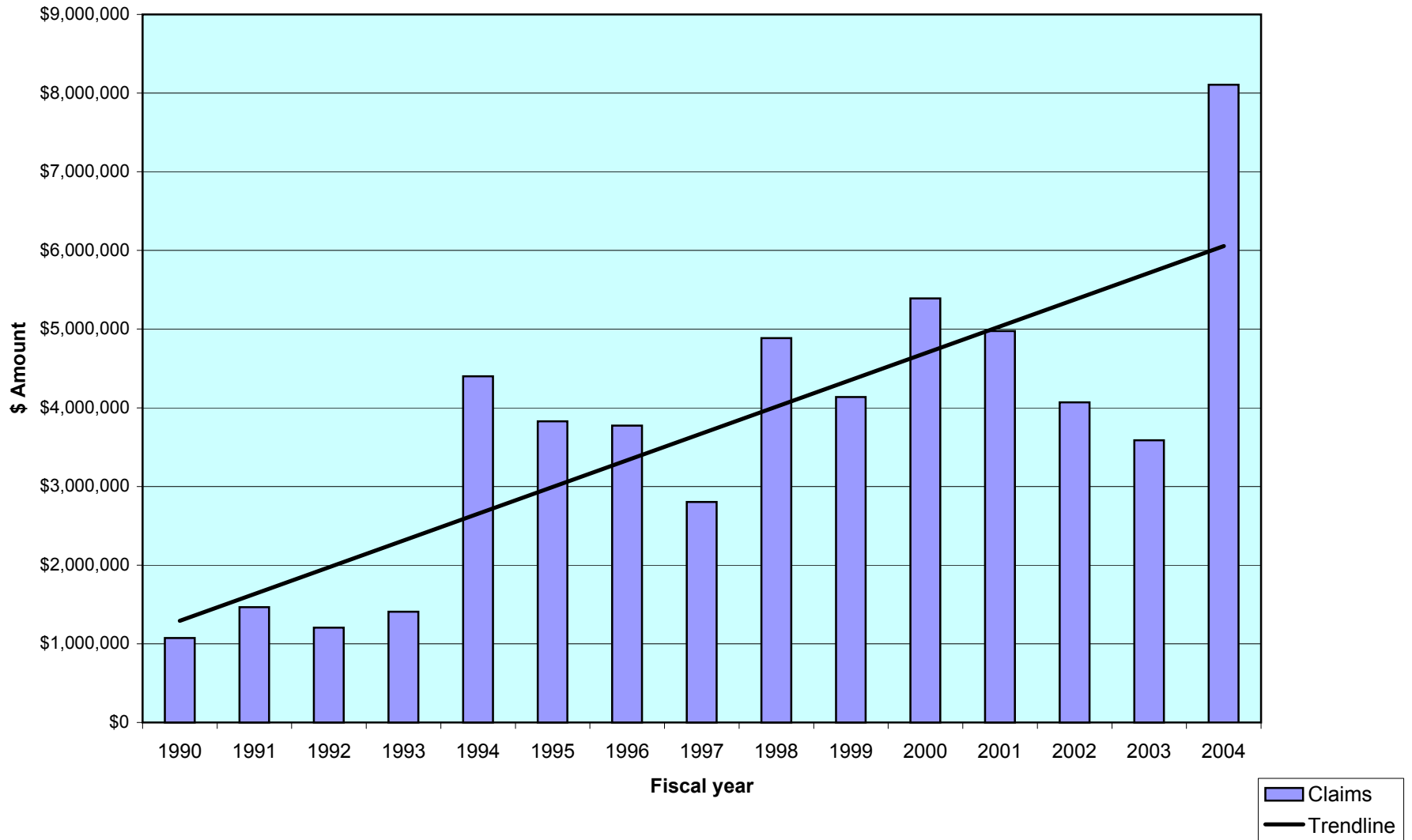
Externally:

- **Legislation:** There are currently three bills pending in the Legislature that, if passed, would have significant impact on the program on various levels.
 - **SB 67:** As you are undoubtedly aware, this bill is the mechanism that would move the unclaimed property program from the Department to the Office of the State Treasurer. The bill was passed out of the first committee and referred to Ways and Means. To date it has not yet been assigned to a subcommittee.
 - **HB 2104:** This bill was introduced on behalf of the Department and seeks to reduce all five-year dormancy periods to three years. The bill enjoyed support from the entities that would be most affected by the change. It has been passed out of committee and referred to Revenue.
 - **SB 460:** This bill was introduced at the request of the education beneficiaries in order to require unused gift card balances be reported and remitted as unclaimed property. As of March 19, 2007, the bill remains in committee waiting to be passed to the floor for a vote.
- **Operation Rightful Owner:** The National Association of State Treasurers (NAST) and the National Association of Unclaimed Property Administrators (NAUPA) have been working toward developing an agreement with the Treasury Department that will locate and pay owners of matured savings bonds. The November elections changed the environment to the extent that the proposed legislation is being re-drafted and the affiliations are seeking additional sponsors and support.

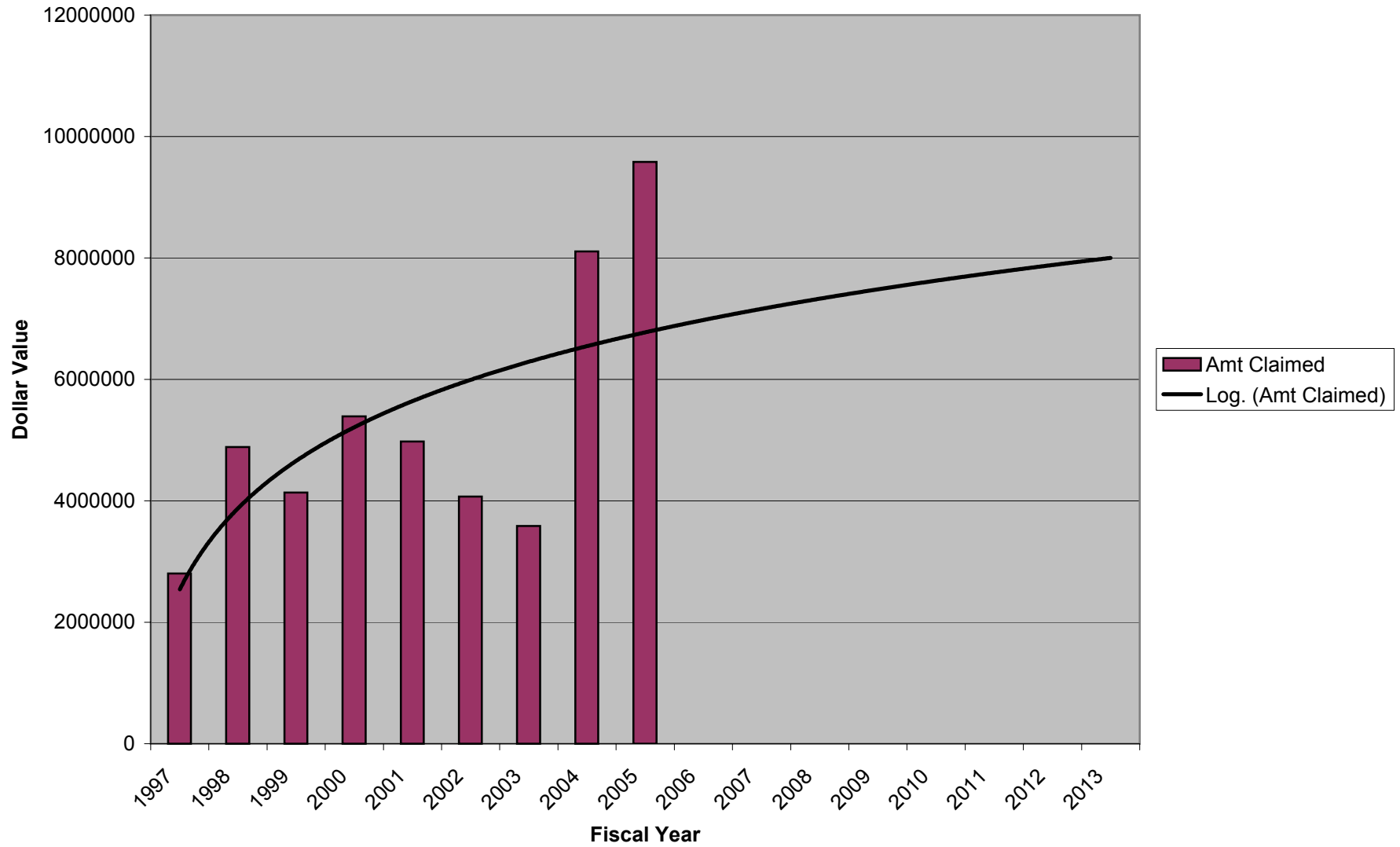
Unclaimed Property Reports by Fiscal Year



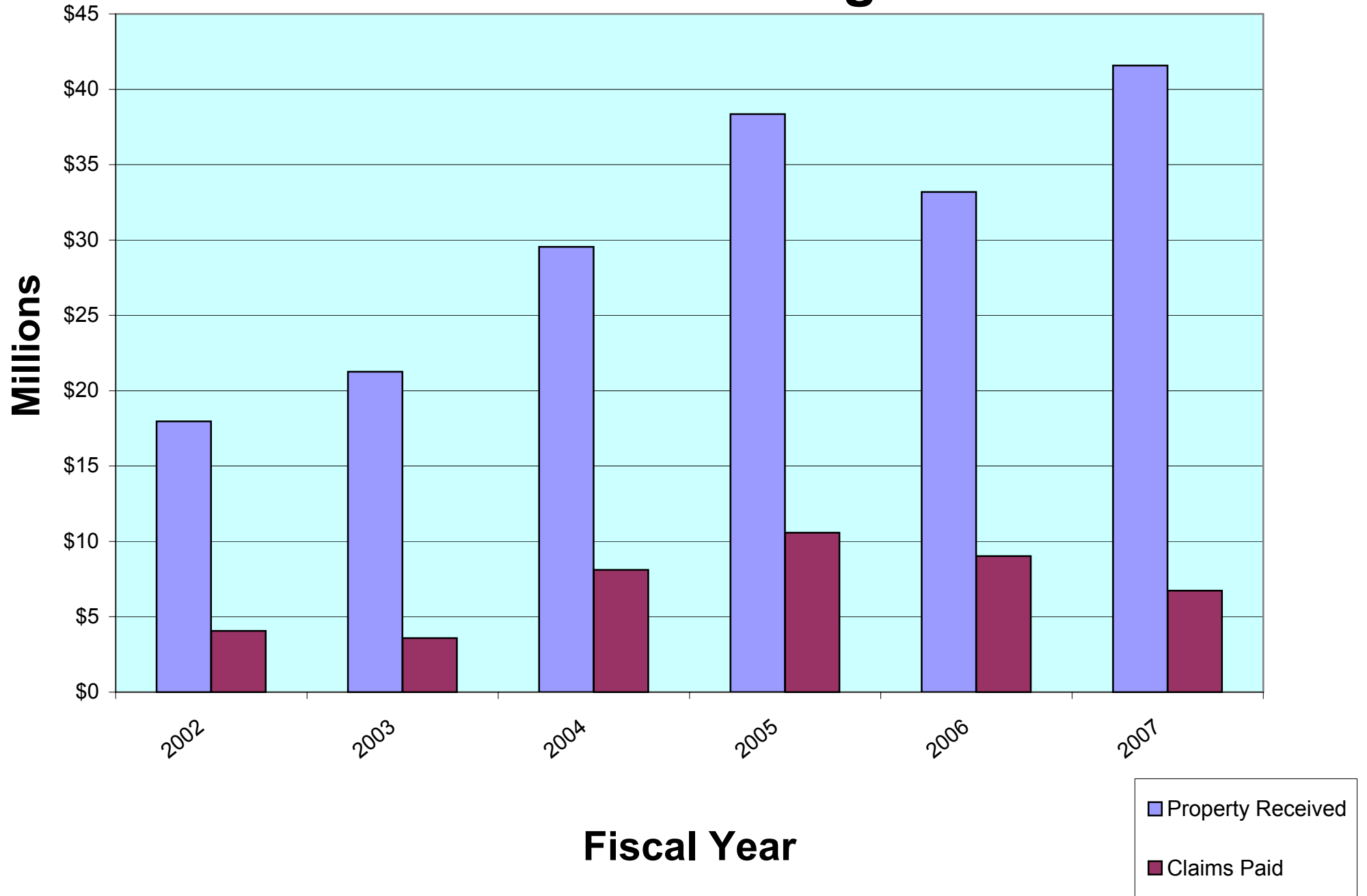
Amount of Claims Paid



Projected Claims 1997-2013



Growth of UP Program



Fiscal Year	\$ Reported	\$ Claimed
1990	\$3,523,171	\$1,072,4
1991	\$4,181,245	\$1,466,8
1992	\$7,345,535	\$1,204,7
1993	\$7,690,659	\$1,406,7
1994	\$5,928,698	\$4,399,3
1995	\$9,353,179	\$3,826,9
1996	\$11,981,813	\$3,774,0
1997	\$10,299,116	\$2,803,1
1998	\$14,770,116	\$4,885,1
1999	\$13,590,566	\$4,137,0
2000	\$19,975,167	\$5,391,8
2001	\$19,918,694	\$4,976,0
2002	\$17,965,862	\$4,070,0
2003	\$21,254,000	\$3,587,0
2004	\$29,547,000	\$8,106,0
2005	\$38,349,274	\$10,582,8