

JEB SPAULDING
STATE TREASURER

ABANDONED PROPERTY DIVISION
TEL: (802) 828-2407
FAX: (802) 828-2772

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

STATE OF VERMONT
OFFICE OF THE STATE TREASURER
133 STATE STREET • MONTPELIER, VERMONT 05633-6200
TREASURER: (802) 828-2301 • TOLL-FREE (in VT only): 1-800-642-3191
www.tre.state.vt.us

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For more information or sound, contact Jeb Spaulding at 802-828-2301

Consumer Protection That Would Pay Off for State's Coffers

Montpelier – Vermont State Treasurer Jeb Spaulding unveiled a legislative proposal this week that would result in a healthy one-time boost in general fund revenues while making it easier to reunite Vermonters with their lost financial property. Spaulding's office runs the State's Unclaimed Property Division.

"I view this legislation as a consumer oriented initiative with the added benefit of providing the general fund with a meaningful and much needed infusion of revenue in the upcoming fiscal year," Spaulding stated.

The flow of new money into the general fund would result from accelerating the process by which private holders of unclaimed property transfer lost items like stocks, bonds, insurance policies and bank CDs into State custody. Under current law, most types of unclaimed property must be forwarded to the Treasurer's Office after a five-year "dormancy" period. Spaulding's proposal would reduce that holding period to three years, as is the case in several other states.

Spaulding's legislation would also revise the unclaimed property process for demutualized insurance companies. "Demutualization" occurs when an insurance company converts from a mutual form of ownership to a stock-based company. Currently, the dormancy period in such situations begins when that conversion takes place. Under Spaulding's proposal, the dormancy period before lost property is turned into the State as "unclaimed" would be three years after the earlier of the date of last contact with the policyholder, or the demutualization date.

Projections indicate that the Treasurer's package would add between \$3.5 and \$6 million to the General Fund in Fiscal Year 2004. Beyond the fiscal implications of the proposed legislation, Spaulding believes his proposal will make it easier to find the rightful owners of lost financial property.

"The longer we wait, the fewer people we find. People move, die, or just disappear. This proposal means more people will get what rightfully belongs to them," said Spaulding.

The Treasurer's Office has a comprehensive outreach process to reunite unclaimed property and its owners, including newspaper advertisements, a booth at the Champlain Valley Expo, and an easy-to-use internet listing.

Although the General Assembly will make the final call on how any of these new-found monies will be used, Spaulding suggested that “a portion of these new revenues might be used to ensure that the Springfield Correctional facility opens on time, while any balance could be earmarked to help replenish the State’s depleted “rainy day” fund.

Another feature of Spaulding’s proposal includes a provision that would limit so-called “heir finders” from charging Vermonters excessive fees when helping citizens find lost property. Most states have such a limitation, but Vermont does not. The restriction proposed by Spaulding would limit such fees to ten percent of the value of the abandoned property that is reclaimed. He said that the ten percent limitation is the norm nationwide and the recommendation of model legislation for states.

To date, 15 states have reduced the dormancy period to three years for most classes of property. The demutualization initiative has been adopted in six states, with legislation pending in a number of others.