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Testimony of
Jim Paul, Director
Department of State Lands
on
House Bill 3430
House Committee on Revenue
May 8, 2017

Thank you for the opportunity to provide testimony on House Bill 3430. This testimony is focused on the –3 amendments being considered today. The Department of State Lands (DSL) has no position on this bill.

This bill makes any unclaimed property that has been held by DSL for over 25 years available to school districts through the regular Common School Fund distributions to K-12 schools. This would begin in the 2017-19 biennium and occur every other biennium thereafter. The bill establishes a Legacy Unclaimed Property Revolving Fund (LUPRF), which would receive at least 1% of the funds at distribution to pay any unclaimed property claims that occur after the funds are distributed, ensuring sufficient retention of funds to pay expected claims over time.

The bill also requires DSL to periodically report back to the legislature (starting in October 2018) on implementation details, which include the following:

1. The balance and transaction history of the LUPRF.
2. The expected amount available for distribution on June 30 in the next year.
3. The total amount of projected claims against the LUPRF before distribution.

Notwithstanding the establishment of the LUPRF, this bill poses potential liability exposure for outstanding unclaimed property obligations. This potential exposure is associated with Article XI, Section 7 of the Oregon Constitution: “The Legislative Assembly shall not lend the credit of the state nor in any manner create any debt or liabilities which shall singly or in the aggregate with previous debts or liabilities exceed the sum of fifty thousand dollars.” Varying legal interpretations of this section of the Constitution creates some uncertainly in terms of the legal risk associated with this bill.

This bill would result in an immediate estimated benefit of $26 million in additional one-time distribution monies. This would essentially be ‘in exchange for’ a reduction in perpetual annual earnings of $1.7 million for the Common School Fund (based on an assumed 6.5% rate of return). Subsequent distributions are estimated to be similar in magnitude, and have a similar effect on annual earnings and reduced growth in the principal balance of the Common School Fund.

Thank you again for the opportunity to provide testimony today.