



South Dakota Legislative Research Council

Issue Memorandum 98-22

Referred Law Regarding Transfer of Unclaimed Property Office

The Constitution of the State Of South Dakota states in Article III, § 1:

The people expressly reserve to themselves the right...to require that any laws which the Legislature may have enacted shall be submitted to a vote of the electors of the state before going into effect.

The referendum has been called by citizen petition on an act passed during the 72nd Session of the South Dakota Legislature, originally known as Senate Bill 215, an act to transfer the Unclaimed Property Office from the State Treasurer's Office to the secretary of revenue.

This act was passed, unamended, by both houses of the Legislature and was signed by the Governor on March 11, 1997. Other than slight language changes, its only effect is to change control of the Unclaimed Property Office from the Office of the State Treasurer to the Department of Revenue.

The Unclaimed Property Office collects such unclaimed property as stocks, bonds, checks, etc., from banks and businesses. The office then earns interest from that property until rightful owners can be found and contacted. The office paid out \$726,321 of unclaimed property in FY97.

SB 215 was heard by the Senate and House State Affairs Committees during the 72nd Legislative Session. The State Treasurer's office presented the committees with handouts citing that, at the time, twenty-

eight states vested their unclaimed property offices within the state treasurer's office, while only ten states placed it within the department of revenue. Other states utilize such offices as state controller, commerce, etc.

Handouts from the Treasurer's office also demonstrated that of all cash receipts for FY96, 60.2%, or \$1,263,556, was remitted to the General Fund; 25.4%, or \$532,724, was paid in claims; 8.9%, or \$186,951, went towards administrative expenses; and 5.5%, or \$117,095, was used for "extraordinary items."

Other documents from that hearing demonstrate that unclaimed property payments have risen from approximately \$100,000 in FY91 to over \$500,000 in FY96.

An attempt was made to hoghouse the bill, but this attempt failed, and SB 215 passed unchanged. Efforts then began to refer the new act to a public vote. The referendum required 15,581 signatures to place the act on the ballot, and approximately 20,000 signatures were finally collected.¹ The law will therefore be placed before South Dakota voters at the November 3, 1998, general election, and will not take effect until and unless it gains a favorable majority at that election.

¹ Kranz, David. "Unclaimed property makes ballot," *Argus Leader*. June 25, 1997, page 1D.

This issue memorandum was written by William E. Pike, Fiscal Analyst for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.
