

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3002

STATE OF NEW JERSEY

DATED: JUNE 24, 2010

The Assembly Budget Committee reports favorably Assembly Bill No. 3002.

The bill modifies the State's unclaimed property laws to adjust the time periods for presumptions of abandonment, limit issuer imposed dormancy fees, and provide for related administration of certain unclaimed property. The primary purposes of this measure are to protect New Jersey consumers from certain commercial dormancy fee practices and modernize the State's unclaimed property laws.

The bill provides the following presumptions of abandonment:

- Adjusts the period of time which triggers abandonment for travelers checks from 15 to 3 years;
- Adjusts the period of time which triggers abandonment for money orders from 7 to 3 years; and
- Creates a 2 year trigger for abandonment of stored value cards. The bill's definition of stored value cards, includes, but is not limited to, paper gift certificates, gift cards and rebate cards.

The bill also limits the imposition of dormancy fees as follows:

- Precludes the imposition of dormancy fees on travelers checks or money orders in the first 12 months after issuance and limits permissible dormancy fees to \$2 per month; and
- Precludes the imposition of dormancy fees on stored value cards, credit balances, overpayments, security deposits, unused tickets, refunds, credit memoranda and similar instruments.

The bill also includes stored value cards into an existing reimbursement process for escheated properties so that if an escheated stored value card is subsequently claimed by an owner and honored by the issuer, the State can reimburse the issuer.

Additionally, the bill requires stored value card issuers to obtain the name and address of purchasers and to maintain, at a minimum, a record of the zip code of the purchaser. In instances where an issuer does not have the name and address of a purchaser, the address of the purchaser shall assume the address of the place where the stored value card is purchased, if that place is located in New Jersey. These provisions are designed to modernize the State's unclaimed property processes relative to other states and enhance New Jersey's capacity to

protect its residents' stored value cards from being subject to other state's escheatment processes.

Stored value cards issued under a promotional program, customer loyalty program, charitable program or by a business selling \$250,000 or less of stored value cards in the prior year are exempted from the stored value card provisions of the bill.

The bill also authorizes the State Treasurer to grant an exemption from such provisions concerning stored value cards, on such terms and conditions as the State Treasurer may require, for a business or class of businesses that demonstrate good cause. In determining whether to exercise the discretion to grant an exemption, the State Treasurer may consider relevant factors including, but not limited to, the amount of stored value card transactions processed, the technology in place, whether or not stored value cards issued contain a microprocessor chip, magnetic strip, or other means designed to trace and capture information about place and date of purchase, and such other factors as the State Treasurer shall deem relevant.

The bill specifies that only stored value cards exempted from the unclaimed property provisions of the bill shall be deemed gift cards or gift certificates subject to the consumer protections provided under P.L.2002, c.14 (C.56:8-110).

The bill takes effect July 1, 2010 and applies to stored value cards, travelers checks, money orders and certain similar instruments outstanding on and after July 1, 2010, including, but not limited to, those issued before July 1, 2010.

FISCAL IMPACT:

In the FY 2010-2011 Budget in Brief, the Executive projects that this proposal, prior to revision, would have increased State General Fund revenues by \$79,580,000 in FY 2011. The OLS can neither concur nor disagree with this estimate, given that the Executive has not elaborated on the method and data underlying its projection and that a lack of data precludes the OLS from ascertaining its accuracy. The OLS agrees, however, that the bill will produce an annual revenue gain to the State General Fund. The office also points out that the FY 2011 revenue increase will be noticeably larger than the gain in subsequent years because of significant one-time collections that will occur in FY 2011 as a consequence of the naturally front-loaded mechanics of accelerating and establishing abandonment periods.

The OLS also notes that the legislation might cause the New Jersey Department of the Treasury to incur additional administrative expenses since the unclaimed property program will be extended to a new asset type, stored value cards.