

PERSPECTIVE

New Claims on Unclaimed Property

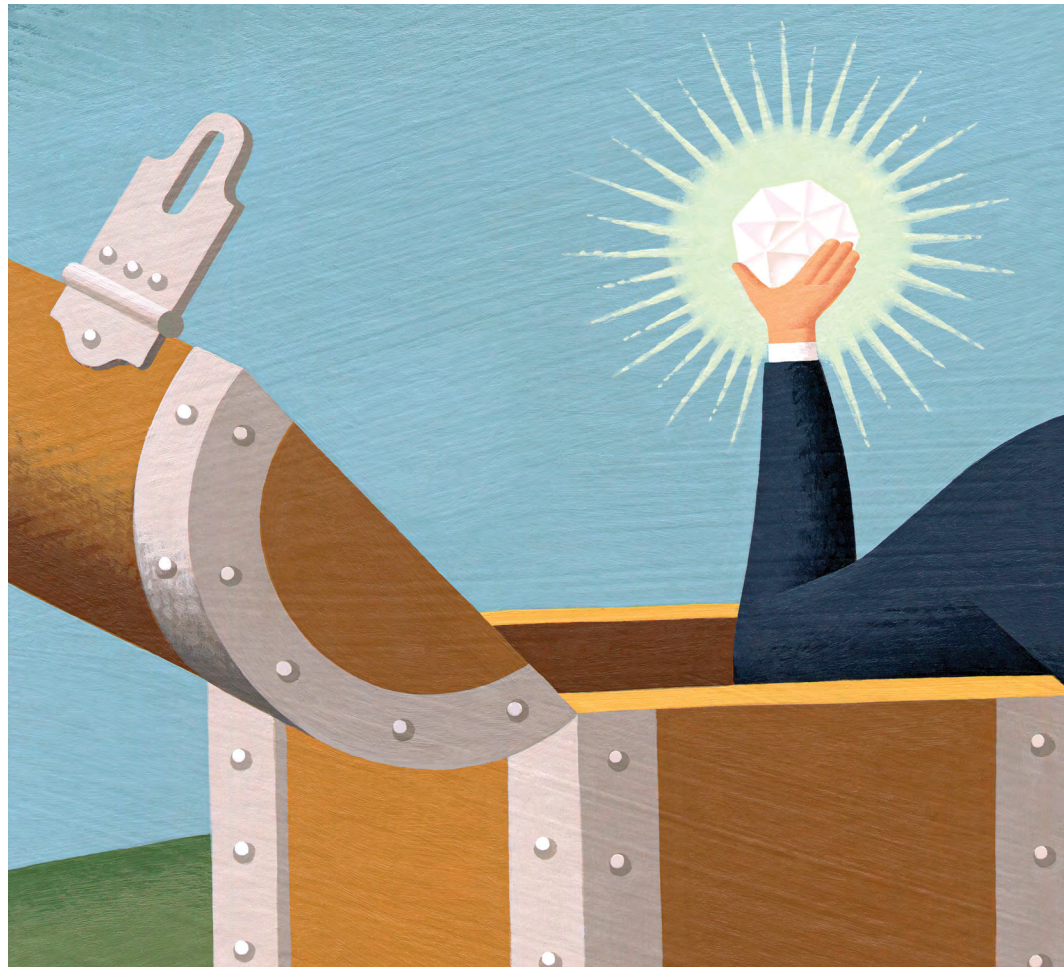
BY JUSTIN MARLOWE

A World War II veteran's family reunited with his Purple Heart and Bronze Star. A retired schoolteacher, unaware of the \$50,000 she was owed from a class action lawsuit. Lost royalty checks presented to the decedents of Marilyn Monroe and Clark Gable.

These sound like the plot of the next blockbuster limited series on Netflix or Hulu. But in fact, they're the headline-grabbing result of the otherwise mundane work of managing unclaimed property.

The old saying is that if you've seen one state treasurer's office, you've seen one state treasurer's office. But despite all that variation, virtually all state treasurers are in the unclaimed property business. It is a core competency of today's state and local finance professionals. But within the past few years, the way we manage unclaimed property, and its close cousin, "escheat property," has become a key and perhaps controversial fiscal policy issue.

Unclaimed property laws—sometimes dating back to medieval English common law—dictate that financial assets without clear ownership (think uncashed paychecks, forgotten bank accounts, and abandoned safe deposit boxes) revert, or "escheat," to the state after a dormancy period. States have typically treated these assets as a form of custodial responsibility, holding them on behalf of absent owners and committing to eventually reunite them with their rightful claimants.



Yet, beneath this wholesome veneer, unclaimed property has become, in effect, a resource for many state budgeteers to appropriate. Collectively, states hold more than \$50 billion in unclaimed property, with hundreds of millions flowing into state treasuries each year. Most state treasurers make a good-faith effort to reunite that property with its owners. They have created easy-to-use websites to find property, and slick public service announcements that direct citizens to those websites. In a recent interview, Massachusetts Treasurer Deborah Goldberg said she hopes to one day cut a public service ad featuring testimony from Boston Red Sox star David "Big Papi" Ortiz on how her office reunited him with his own unclaimed property. There's no question

that state treasurers do their best to convert the unclaimed into claimed.

However, statutory obligations to return unclaimed property carry few time limits or requirements for proactive outreach, so the pace of returns is neither swift nor exhaustive. In fact, a sizable fraction of holdings is never reclaimed. That's why states have long recognized unclaimed property funds as convenient budget gap-fillers, treating annual collections as non-tax revenue. This practice is so engrained that the National Association of Unclaimed Property Administrators warns of "fiscal shock" to some states if the public suddenly decided to reclaim all that property at once.

But recent years reveal a new trend: the leveraging of unclaimed and escheat



property balances as direct financial instruments, not merely pass-through revenue. State and local governments now see these funds as valuable assets that can be pledged as collateral or securitized to back new debt for all sorts of long-term projects.

In 2023, the State of Ohio drew national attention when it floated plans to help finance proposed renovations to Cleveland Browns Stadium, a project estimated at \$1 billion. Among the mechanisms discussed was an innovative but controversial plan to use the state's unclaimed property fund as collateral for municipal bonds that would fund the project. Ohio's recently passed FY26 budget includes some statutory changes that effectively green-light this approach.

Perceptions also matter. When governments “borrow” from unclaimed property funds, critics argue it creates “moral hazard.”

The logic is clear. The unclaimed property fund, flush with hundreds of millions in idle cash and backed by a steady inflow of new assets, could provide a robust security for municipal bonds while preserving taxpayer savings. In theory, this approach would not strip the fund of unclaimed property; rather, it would allow the state to borrow against the fund's assets, with the promise that obligations to eventual claimants would remain satisfied through prudent cash management and actuarial oversight. Proponents cited similar moves by other states that have borrowed from or pledged unclaimed property funds to buttress state budgets or public works projects. They applaud this as a creative financing tool that brings public benefit without imposing new taxes. Critics questioned the ethics and prudence of leveraging assets that are, by law and intent, held in trust for private citizens and businesses.

At the heart of the controversy is the evolving understanding of what unclaimed and escheat property truly represents. Is it simply another state revenue stream, available for appropriation at lawmakers' pleasure? Or is it merely held in “custody” for absent owners? Or, put differently, just how “public” is it? Most state constitutions and enabling statutes side with the custodial theory, with restrictive language to ensure claimants' rights are safeguarded. Legal experts have warned that excessive or poorly managed leveraging could impair liquidity, risking the government's ability to honor claims.

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infrastructure project depends on not reuniting citizens with their unclaimed property, then states and localities have a powerful incentive to slow-walk that reuniting. The Cleveland project has been met with multiple class action lawsuits to that effect.

For states and cities facing persistent budget pressures and massive infrastructure investment needs, unclaimed property offers a beguiling avenue. Used responsibly, it can lower capital costs, sidestep unpopular tax increases, and advance projects with broad public appeal. Cleveland's stadium plan remains a work in progress, but as lawmakers, sports fans, and good government watchdogs press their case, it is clear that other jurisdictions are watching and increasingly following suit.

The financial promise of unclaimed property must be balanced against fiduciary duty, transparency, and ethical stewardship. As GFOA's Code of Ethics reminds us, trust in government relies as much on the perception of fairness and accountability as on the ability to close budget gaps or deliver popular economic development projects. ■



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