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92-4 UNCLAIMED POSTAL SAVINGS SYSTEM DEPOSITS

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HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTAL FACILITIES AND MAIL

OF THE

COMMITTEE ON
OFFICE AND CIVIL SERVICE
USE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 135

A BILL TO PROVIDE FOR PERIODIC PRO RATA DISTRIBUTIONS
AMONG THE STATES AND OTHER JURISDICTIONS OF DEPOSIT
OF AVAILABLE AMOUNTS OF UNCLAIMED POSTAL SAVINGS
SYSTEM DEPOSITS, AND FOR OTHER PURPOSES

MARCH 24, 1971

Serial No. 92-4

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UNCLAIMED POSTAL SAVINGS SYSTEM DEPOSITS
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HEARING

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(III)

(H.R. 135, First Sess., 92d Cong.)

A BILL To provide for periodic pro rata distribution among the States and other jurisdictions of deposit of available amounts of unclaimed Postal Savings System deposits, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) to provide a sharing in the amount of unclaimed Postal Savings System deposit among the States and other jurisdictions in which such deposits were made, which is more equitable and expeditious than may be accomplished under differing escheat laws, the Secretary of the Treasury is authorized, within sixty days following enactment of this Act, and on such date as he may set during each of the four succeeding calendar years, to divide the remaining principal of unclaimed deposits held pursuant to the Act of March 28, 1966 (80 Stat. 92), in the trust fund account established under section 17 of the Act of June 26, 1934 (31 U.S.C. 725p), including the accrued interest applicable thereto, into a retention balance and a distribution balance. The retention balance shall consist of that portion of the remaining principal and accrued interest which he deems necessary to retain for the purpose of honoring claims by or on behalf of depositors; the distribution balance shall consist of that portion not so designated. The Secretary is authorized to proceed to distribute to each of the fifty States and to the District of Columbia, Puerto Rico, the Virgin Islands, and Guam, referred to in this section as other jurisdictions of deposit, a pro rata share of the distribution balance. Each such share shall be determined on the basis of the ratio between—

(1) the dollar amount of the principal of the unclaimed deposits remaining as of each determination, which had been deposited in the post offices of the given State or other jurisdiction of deposit, as the case may be, according to the records of the former Postal Savings System and the Treasury Department, and

(2) the dollar amount of the principal of the total remaining deposits. All determinations made by the Secretary of the Treasury under this subsection shall be final and conclusive and not subject to review in any court.

(b) The retention balance remaining after the final distribution authorized by subsection (a) shall be held by the Secretary of the Treasury in perpetuity in the trust fund account established under section 17 of the Act of June 26, 1934 (31 U.S.C. 725p), for the purpose of honoring claims by or on behalf of depositors, without regard to any laws of the States or other jurisdictions of deposit concerning the disposition of unclaimed or abandoned property.

SEC. 2. There is hereby authorized to be appropriated without fiscal year limitation to the trust fund established under section 17 of the Act of June 26, 1934 (31 U.S.C. 725p), out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to pay claims by or on behalf of depositors whenever the balance in that trust fund account is insufficient to pay such claims as a result of determinations and distributions authorized by first section of this Act.

UNCLAIMED POSTAL SAVINGS SYSTEM DEPOSITS

WEDNESDAY, MARCH 24, 1971

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON POSTAL FACILITIES AND MAIL,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room 210, Cannon House Office Building, Hon. Robert N. C. Nix (chairman of the subcommittee) presiding.

Mr. Nix. The subcommittee will be in order.

Today we will take up a bill sponsored by the chairman of the full committee, Members from both sides of the aisle, and the Treasury Department.

It involves the distribution of unclaimed postal savings funds. The postal savings fund was closed by statute in 1966. Since then there is approximately \$12 million unclaimed dollars in the fund. This is a common banking situation since depositors die and leave no heirs.

In the private sector, such funds after a time escheat or are turned over to the State government in the locality where the deposit lies.

In the case of postal savings, it appears that it will be necessary to enact legislation so that these unclaimed funds can be turned over to the State governments in the normal manner. At the same time, legislation should set up a fund for unexpected claims.

H.R. 135 settles these problems by distributing this money on a pro rata basis to the States.

Our first witness today is Hon. Thaddeus J. Dulski, Member of Congress, State of New York, and chairman of the full committee.

STATEMENT OF HON. THADDEUS J. DULSKI, MEMBER OF CONGRESS FROM THE STATE OF NEW YORK AND CHAIRMAN OF THE HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

Mr. DULSKI. Thank you, Mr. Nix. First of all, I would compliment the chairman of the subcommittee for taking this legislation as its first action of the session.

I have a prepared statement, Mr. Chairman, and since there are other witnesses who are to testify, I would ask unanimous consent to insert my statement supporting this legislation in the record as though presented in full.

Mr. NIX. Without objection, it is so ordered.

Mr. DULSKI. Thank you.

Mr. Chairman and members of the subcommittee, I sincerely appreciate your early scheduling of hearings on H.R. 135, and the opportunity to appear before this subcommittee. The situation concerning

the postal savings system was called to my attention last year by officials of the Treasury Department and of the State of New York, but there was not sufficient time remaining to process the bill before adjournment of the 91st Congress. I promised those officials at that time that I would reintroduce the bill early this year and schedule it for early action. I have sponsored this bill together with Mr. Corbett, Mr. Nix, and Mr. Derwinski.

The provisions of H.R. 135 are substantially the same as those of H.R. 19400 which was sponsored by Mr. Nix and Mr. Derwinski in the 91st Congress on the basis of an official recommendation by the Treasury Department.

The purpose of this bill is to simplify the liquidation of the remaining unclaimed funds in the Postal Savings System which was terminated as of April 27, 1966, by Public Law 89-377. At the same time the bill would insure that sufficient funds are retained in the Treasury for the payment of belated claims.

As of December 31, 1970, there remained in the Postal Savings Fund approximately \$11 million of which \$8.9 million represented unpaid principal. This legislation would provide much more acceptable means by which the States and other jurisdictions could obtain an equitable portion of the unclaimed funds attributable to deposits within their jurisdictions. In the absence of such legislation the alternative action for the States would be to institute complicated and expensive court proceedings to escheat the unclaimed funds of depositors. In that regard I should like to point out that the Treasury Department has estimated that New York State's share of the unpaid funds is about \$1.9 million. However, under the escheat laws, New York State would probably realize only about \$400,000 of that amount. Thus, the significance of this legislation is obvious.

Mr. Chairman and members of the subcommittee, I strongly recommend your favorable consideration of this worthwhile and noncontroversial legislation.

Mr. Nix. The next witness is Hon. Samuel R. Pierce, Jr., General Counsel of the U.S. Treasury Department.

**STATEMENT OF HON. SAMUEL R. PIERCE, JR., GENERAL COUNSEL,
U.S. TREASURY DEPARTMENT, ACCOMPANIED BY SIDNEY S.
SOKOL, JOHN O. TURNER, CHARLOTTE T. LLOYD, AND HUGO A.
RANTA**

Mr. PIERCE. Mr. Chairman, I am accompanied today by Mr. Sidney S. Sokol, deputy fiscal assistant secretary, who until recently had general supervision as Commissioner of Accounts of the liquidation of the Postal Savings System. With him is John O. Turner, deputy comptroller of the Bureau of Accounts, who has direct administrative control over the liquidation operation.

I am also accompanied by two of my assistants general counsel, Charlotte T. Lloyd and Hugo A. Ranta, who have dealt with legal problems in this area.

We shall endeavor to answer any questions that the committee may have.

Mr. NIX. You may proceed.

Mr. PIERCE. Mr. Chairman and members of the subcommittee, I welcome this opportunity to appear before you to support H.R. 135, a bill designed to provide for the distribution, to the 50 States and to the District of Columbia, Puerto Rico, the Virgin Islands, and Guam, of most of the remaining funds representing unclaimed Postal Savings System accounts. This legislation is similar to H.R. 19400 introduced in the 91st Congress by you, Mr. Chairman, and Congressman Derwinski pursuant to a recommendation of this Department. Our purpose in recommending this legislation initially, and for supporting it now, has been to provide a more practical and equitable method than presently exists for the 50 States and the four other jurisdictions to obtain an appropriate portion of the unclaimed amounts, while retaining in the Treasury sufficient funds to meet possible future claims.

Liquidation under Public Law 89-377

I would like to review briefly the Treasury's liquidation of the Postal Savings System under Public Law 89-377, enacted March 28, 1966. The 1966 legislation, which originated in this subcommittee, discontinued the Postal Savings System as of April 27, 1966, and transferred as of July 1, 1967, the remaining funds to the Treasury for deposit in a trust fund for unclaimed moneys and for liquidation. As of that date, the Post Office Department transferred to the Treasury a total of \$56,789,000 to cover unpaid principal of \$52,934,000 plus \$3,855,000 for estimated accrued interest. On June 30, 1970, an additional amount of \$8,350,000 was transferred by the Post Office Department to cover the unpaid liabilities for estimated accrued interest and principal, as reconstructed by the Treasury, making a total transfer of \$65,139,000.

From July 1, 1967, to February 28, 1971, the Treasury has liquidated 83.5 percent of the original unpaid balance; that is, total payments of \$54.4 million, consisting of \$44.5 million in principal and \$9.9 million for accrued interest. In terms of accounts paid, however, only 102,000 accounts have been paid or about 17.6 percent of the number unpaid as of July 1, 1967.

Available unclaimed funds and pro rata shares of the jurisdictions

As of the end of February, 1971 there was an aggregate liability of \$10.7 million, consisting of \$8.6 million for principal and \$2.1 million for estimated accrued interest. This is the liability on the total of 477,500 unpaid accounts, most of which are small in amount. A table attached to my statement shows as of February 28, 1971 the remaining principal balance of the deposits which were made in each of the 50 States and the four other jurisdictions, and the percentage, or pro rata share, of each of these 54 entities in the total. The table also shows the amount of funds which each of the jurisdictions would have received

if a first distribution of \$5 million had been made as of February 28. These figures and percentages will, of course, change as the liquidation continues. During fiscal year 1971 the Bureau of Accounts has been paying out at the rate of approximately \$100,000 a month on claims.

Outline of the legislation

The first section of H.R. 135 would authorize the Secretary of the Treasury to determine how much of the balance in the trust fund account need reasonably be retained to pay future claims from rightful owners and then to distribute the surplus to the 54 jurisdictions on a pro rata basis. The pro rata basis is simply the ratio of the balance of each State account to the total amount available for current distribution. This first distribution would be made within 60 days after enactment of this bill and subsequent distributions would be made on such dates as the Treasury may set during the four following years. The balance finally retained after the fifth annual distribution would be held available to pay future claims. I think it is appropriate to state that even with this so-called retention balance, the States, as a whole, would have a considerably higher "net profit" under H.R. 135 than through any other means.

The second section would authorize appropriations without fiscal year limitation to the trust fund account, in the event that the trust fund balance, because of the distributions made under the first section, is insufficient to pay claims. The balance which will be retained in the trust fund after the fifth and final annual distributions will be the amount estimated to cover future claims. Inevitably, it will be slightly higher or lower than what will ultimately be needed.

Reason for the legislation

Since the passage of the 1966 act many of the States have pressed claims, under their laws providing for State custody or escheat of unclaimed funds, for the unclaimed accounts of Postal Savings depositors in those States. This Department opposed State claims for custody and administration of these unpaid accounts on the ground that the Department had no authority to transfer the custody and administration given to it by the Congress. However, the Postal Savings System Act had provided (39 U.S.C. 5222, 1964 ed.), and Federal courts had determined, that entitlement to an account should be determined by State courts. Consequently, the Department issued regulations on August 12, 1969 (34 F.R. 13031; 31 CFR 257.3) providing for recognition of a State court judgment of escheat to the State under applicable State law, and for furnishing to a State, upon request, of records of "inactive" accounts, that is, those which had been 20 years without activity at the time of transfer of records from the Post Office Department.

Enactment of H.R. 135 would eliminate significant burdens and expenses for the States, including legislative action to enact an appropriate escheat statute; sorting out the addresses on account cards acquired from the Treasury for all unliquidated accounts pertinent to

the States; advertising such accounts in the appropriate locality or otherwise attempting to reach each depositor by mail; obtaining the State court judgment of escheat; and handling individual claims received after escheat. All burdens for the Treasury, which are implicit in the foregoing, would likewise be precluded by the proposed legislation. As for the general public, the bill would preserve for all future claimants the right to look directly to the United States for their money, promptly upon submission of their claims, as they fully expect.

I believe that the desirability of this legislation is recognized by those States which have taken an active interest in this subject. In fact, it is my understanding that several States are refraining from initiating court action to escheat the inactive accounts in expectation of the passage of this distribution legislation. At the request of this Department the Director of the Office of Intergovernmental Relations of the Office of the Vice President has recently advised the 53 Governors and the Mayor of Washington of the pendency of H.R. 135.

I would like to have the tabulations attached to my prepared statement included in the record at this point, Mr. Chairman.

Mr. NIX. That will be done, without objection.

(The attachments follow:)

STATUS OF POSTAL SAVINGS ACCOUNTS

As of February 28, 1971, the total unpaid balance for the postal savings accounts on the books of the Treasury was \$10,765,100.68 consisting of:

Unpaid principal-----	\$8, 645, 728. 77
Accrued interest-----	2, 119, 371. 91
	10, 765, 100. 68

The attached schedule gives the breakdown of unpaid principal balances according to each of the 54 jurisdictions that would share in the distributions (the 50 States plus District of Columbia, Guam, Puerto Rico and Virgin Islands). It also shows the "sharing" percentage for each jurisdiction.

We expect that a total of \$5 million will be freed up for the first annual distribution. Thus, for example, New York State (which has the largest "sharing" percentage) would receive about \$855,000 in the first year.

NOTE.—The "sharing" percentage for each jurisdiction is the same whether computed on the basis of unpaid principal balances alone or unpaid principal and accrued interest combined. This is because the systemwide total of accrued interest is an estimate, distributable to the 54 jurisdictions proportionately according to the unpaid principal for each jurisdiction.

POSTAL SAVINGS SYSTEM LIQUIDATION—UNPAID PRINCIPAL BALANCE BY LOCATION OF DEPOSITORY AS OF
FEB. 28, 1971

Location of depository	Active accounts	Inactive accounts	Total unpaid principal balance	Percent of total	Initial distribution illustrated ¹
Alabama.....	\$72,639	\$9,602	\$82,241	1.0	\$50,000
Alaska.....	10,344	8,020	18,373	.2	10,000
Arizona.....	41,596	6,315	47,911	.6	30,000
Arkansas.....	49,947	8,757	58,704	.7	35,000
California.....	743,773	108,766	852,539	9.9	495,000
Colorado.....	45,681	15,520	61,201	.7	35,000
Connecticut.....	109,100	16,874	125,974	1.5	75,000
Delaware.....	8,191	653	8,844	.1	5,000
Florida.....	348,473	45,473	393,946	4.6	230,000
Georgia.....	107,601	5,397	112,998	1.3	65,000
Hawaii.....	4,601	3,370	7,971	.1	5,000
Idaho.....	18,067	3,203	21,270	.3	15,000
Illinois.....	1,074,968	252,789	1,327,757	15.4	770,000
Indiana.....	142,906	16,023	158,929	1.8	90,000
Iowa.....	48,167	5,436	53,603	.6	30,000
Kansas.....	43,096	5,482	48,578	.6	30,000
Kentucky.....	56,013	3,849	59,862	.7	35,000
Louisiana.....	45,036	18,308	63,344	.7	35,000
Maine.....	6,397	1,698	8,095	.1	5,000
Maryland.....	43,986	6,868	50,854	.6	30,000
Massachusetts.....	175,844	34,365	210,209	2.4	120,000
Michigan.....	440,292	50,609	490,901	5.7	285,000
Minnesota.....	41,962	13,995	55,957	.6	30,000
Mississippi.....	34,131	4,240	38,371	.4	20,000
Missouri.....	121,152	24,788	145,940	1.7	85,000
Montana.....	30,082	13,802	43,884	.5	25,000
Nebraska.....	91,928	4,709	96,637	1.1	55,000
Nevada.....	15,977	4,050	20,027	.2	10,000
New Hampshire.....	5,824	4,814	10,638	.1	5,000
New Jersey.....	160,872	38,421	199,293	2.3	115,000
New Mexico.....	20,329	2,935	23,264	.3	15,000
New York.....	1,193,333	282,178	1,475,511	17.1	855,000
North Carolina.....	91,532	7,768	99,300	1.1	57,000
North Dakota.....	4,451	1,637	6,088	.1	5,000
Ohio.....	196,704	53,473	250,177	2.9	145,000
Oklahoma.....	61,435	6,514	67,949	.8	40,000
Oregon.....	54,009	18,621	72,630	.8	40,000
Pennsylvania.....	515,840	85,262	601,102	6.9	347,000
Rhode Island.....	16,232	3,467	19,699	.2	10,000
South Carolina.....	165,626	9,892	175,518	2.0	100,000
South Dakota.....	20,651	596	21,247	.3	15,000
Tennessee.....	46,638	6,133	52,771	.6	30,000
Texas.....	209,211	18,799	228,010	2.6	130,000
Utah.....	12,740	1,486	14,226	.2	10,000
Vermont.....	186	166	352	-----	(-)
Virginia.....	40,532	15,622	56,154	.6	30,000
Washington.....	92,980	37,792	130,772	1.5	75,000
West Virginia.....	20,812	5,242	26,054	.3	15,000
Wisconsin.....	59,197	11,035	70,232	.8	40,000
Wyoming.....	4,833	3,552	8,385	.1	5,000
District of Columbia.....	223,577	31,073	254,650	2.9	146,000
Guam.....	929	-----	929	-----	(?)
Puerto Rico.....	84,875	8,295	93,170	1.1	55,000
Virgin Islands.....	13,024	305	13,329	.2	10,000
Subtotal.....	7,288,322	1,348,048	8,636,370	99.9	5,000,000
Foreign.....	-----	265	265	-----	-----
Miscellaneous.....	9,053	40	9,093	.1	-----
Balance.....	7,297,375	1,348,353	8,645,728	100.0	-----

¹ Illustrates a distribution as of Feb. 28, 1971, assuming a total amount of \$5,000,000.

² Less than \$1,000.

Mr. Nix. Mr. Pierce, I want to thank you very much for an excellent statement and wish to also welcome your associates.

I make the observation that you have made it absolutely clear that it is necessary to enact this legislation as speedily as possible.

Mr. Dulski?

Mr. DULSKI. I have one question, Mr. Nix.

How are you going to determine the amount to be held in the retention balance, Mr. Pierce?

Mr. PIERCE. Actually, Mr. Chairman, we have given this a great deal of consideration, and we feel that we can only determine that after a matter of time. We can determine pretty much—and we have given to you in the statement that is attached to my statement—what we could immediately declare after the passage of the act, but then it would depend on just how many claims we have over the next 4 years as to how much we will have to retain. That we can only judge by experience. That is why we have written the law the way we have.

Mr. DULSKI. Thank you.

Mr. NIX. Mr. Pierce, would you submit for the record the regulation of August 12, 1969—31 CFR 257.3?

Mr. PIERCE. Yes, sir.

Mr. NIX. Thank you very much, Mr. Johnson?

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. Pierce, I would also like to welcome you here today. I hope this bill is enacted real soon, because I notice my great State of Pennsylvania gets \$347,000. My State is currently broke, and we need the money.

I am a supporter of this legislation and I think it is timely and well thought out.

Under Pennsylvania escheat laws—if this were escheated to the State of Pennsylvania—I believe that the claimant can claim moneys at any time upon proper proof.

But, you have taken the other course to protect people on a national basis. I take it there is no statute of limitation as far as the Treasury Department is concerned?

Mr. PIERCE. No, there would be no statute of limitations.

Mr. JOHNSON. In other words, 20 years from now, if a family discovered they had an ancestor who had postal savings, it would be made available on proper proof?

Mr. PIERCE. That's true.

Mr. JOHNSON. That is the theory in back of this legislation, is it not?

Mr. PIERCE. That's right. They have forever to look to the United States for payment.

Mr. JOHNSON. Thank you.

Mr. NIX. Mr. Hanley?

Mr. HANLEY. Thank you, Mr. Chairman.

I, too, want to commend you, Mr. Pierce, on your very excellent testimony, and I fully support the legislation. As a resident and representative from the great State of New York, which is not too far from bankruptcy, we, too, would look upon this as a windfall. As I understand it, that State would derive about \$855,000, as a result of the enactment of this legislation. I believe the provision that has already been touched on by my friend and colleague Al Johnson of Pennsylvania provides that we continue to provide forever that an heir or claimant would have recourse to the Treasury Department.

Mr. PIERCE. That is right, sir.

Mr. HANLEY. Thank you.

Mr. PIERCE. You're welcome.

Mr. NIX. Mr. Young?

Mr. YOUNG. Thank you, Mr. Chairman.

I have a question regarding the payment of the unclaimed principal as well as interest on that unclaimed principal. Am I correct in my assumption that you pay the principal plus the accrued interest?

Mr. PIERCE. Yes.

Mr. YOUNG. What financial effect would this have on the Postal Service? How much interest are we talking about, say, on this first initial distribution?

Mr. PIERCE. Mr. Sokol, the former Commissioner of Accounts, will answer that question. I don't seem to have that figure with me.

Mr. SOKOL. The amount of \$5 million, which we have estimated to be a reasonable amount for the total of the first distribution, is approximately 50 percent of the total unpaid balance in the trust fund, which includes principal and interest.

The balance of \$10,765,000 in the total trust fund consists of \$8.6 million of principal, and \$2.1 million in accrued interest.

Answering the latter part of your question, we have received from the Post Office Department the total amount of unpaid principal and accrued interest estimated, so that they are finished.

Mr. YOUNG. I raised the point since I am familiar with some State escheat laws. I don't recognize where any of them pay interest in addition to the unclaimed deposit. I wondered if the postal authorities feel they have no use for that interest. Or, would they have a use for the interest?

Mr. SOKOL. Well, we are obliged to turn over to the States the total unpaid balance for any depositor's account, which includes principal plus accrued interest.

Mr. PIERCE. I think perhaps this might help—this is not Federal money. It belongs to individuals. The Government is holding this money and ought to pay some interest on it.

Mr. YOUNG. The difference is that you are not returning the payment to the individual that made the deposit.

However, you have explained the mechanics to me, and perhaps the question is not necessarily pertinent to the point now.

Thank you, Mr. Chairman.

Mr. NIX. Mr. Bevill? Do you have any questions?

Mr. BEVILL. Thank you, Mr. Chairman. Mr. Pierce, according to your tabulation, the State of Alabama will receive \$50,000, is that correct?

Mr. PIERCE. That is correct.

Mr. BEVILL. Looking at the first column, "the active accounts." What is this active account? Is this money that will be returned to the people who have made the deposits?

Mr. SOKOL. The distinction between active and inactive accounts is simply that the inactive accounts were accounts without transactions for 20 years at the time the Post Office Department transferred them to the Treasury.

Mr. BEVILL. What are the active?

Mr. SOKOL. All the other accounts that had had transactions during the past 20 years.

Mr. BEVILL. But are still unclaimed?

Mr. SOKOL. They are all still unclaimed. Both the active and inactive shown here.

Mr. BEVILL. Still using the same State—Alabama—as an example, that means a total of \$82,000 that was deposited in the post offices in Alabama has not been claimed?

Mr. SOKOL. That's right.

Mr. SOKOL. The \$82,000 represents 1 percent of the total, roughly.

Mr. BEVILL. Where does the other \$32,000 go?

Mr. SOKOL. The \$82,000 represents 1 percent of the total, roughly. So that the State of Alabama, shown here, is receiving 1 percent of whatever distributive amount is established, and then the first one is estimated to be \$5 million for the total of principal and interest. So that the State would receive roughly \$50,000 as its share of the total distribution.

The other \$32,000 is still in the trust fund, and the State of Alabama and all the other States will receive their pro rata share in subsequent four distributions before this thing winds up.

Mr. BEVILL. Is that provided for in this bill?

Mr. SOKOL. Yes, sir.

Mr. BEVILL. In other words, this one bill will take care of the whole disposition and liquidation of these funds?

Mr. SOKOL. Yes, sir.

Mr. BEVILL. Does it specify when the money will be paid out?

Mr. SOKOL. It will be paid out in each of the 4 successive years following this first distribution, at such time as the Secretary determines, once a year.

Mr. BEVILL. Four?

Mr. SOKOL. Four consecutive fiscal years.

Mr. BEVILL. This 1 percent you are talking about now is on what amount?

Mr. PIERCE. The initial distribution of \$5 million.

Mr. BEVILL. And in 4 years you are going to pay 4 percent—1 percent yearly?

Mr. PIERCE. No.

Mr. SOKOL. It won't add up to 4 percent. It's roughly 1 percent of whatever is distributed each year. In other words, each State will receive its percentage or pro rata share of whatever is distributed, so that in the final analysis, sir, if the total amount distributed after the 5 years have gone by—in other words the cumulative or aggregate amount distributed over the 5-year period—is \$10 million, as an example, then the State of Alabama would receive roughly \$100,000 of that, 1 percent.

Mr. BEVILL. I follow you. In other words, the District of Columbia would also get 2.9 percent, and Alabama would get 1 percent, and so on?

Mr. SOKOL. These percentages will change very slightly as time goes on because we will be paying off claims for some of these State items.

Mr. BEVILL. Well, these percentages are arrived at by virtue of the percentage of the entire total funds in the 50 States?

Mr. SOKOL. Yes sir.

Mr. BEVILL. Thank you, Mr. Chairman.

Mr. NIX. Mr. Hanley.

Mr. HANLEY. I have just one question. Will interest continue to accrue while this money is in the custody of the Treasury Department? Has it been and will it continue to accrue?

Mr. SOKOL. The answer is, it doesn't accrue. There is a terminal date established in the law for the transfer of accounts to the Treasury. I believe it was April 27, 1966. So that interest stopped several months before the changeover in the law.

Mr. HANLEY. Thank you.

Mr. NIX. Mr. Derwinski?

Mr. DERWINSKI. Thank you, Mr. Chairman.

Mr. Pierce. I anticipated that the committee would give you a favorable reception this morning. I am pleased to see that that seems to be the case.

And, Mr. Chairman, as a cosponsor of the measure, along with Chairman Dulski, I am pleased that you are expediting the processing of this legislation.

I ask unanimous consent to insert a statement in the record at this point in support of the measure. Chairman Dulski has assured me he will crack the whip and see that this legislation is expedited.

I thank you, sir, for your courtesy.

Mr. NIX. Without objection, the statement will be inserted in the record at this point as though presented in full, and I have no doubt of its brilliance.

STATEMENT BY HON. EDWARD J. DERWINSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. DERWINSKI. Mr. Chairman, I want first to commend you and the members of the subcommittee for initiating action on legislation which is of mutual interest to the Federal Government and the governments of our 50 States. As a cosponsor of H.R. 135, I hope that we will be able to work toward its prompt approval.

As the bill's title explains, this legislation will provide a method for the periodic distribution among the 50 States and four other jurisdictions of unclaimed Postal Savings System deposits. The bill is, in my opinion, a necessary step toward completion of the action which this committee took some 5 years ago in terminating the Postal Saving System and liquidating its funds.

As the chairman will recall, our committee was responsible for Public Law 377 of the 89th Congress which discontinued the Postal Savings System. That action was taken because of a steady decline in depositors, greater financial opportunities in the private sector of the economy, and because the costs of the system had begun to exceed its income as well as its value to the public and the Government.

On July 1, 1967, when the Treasury Department took over liquidation of the System, as provided by the law, there were 579,516 unpaid individual depositor accounts with an estimated aggregate unpaid liability of \$65.1 million. At the present time there remains an aggregate liability of about \$10.7 million in unclaimed and unpaid deposits.

Mr. Chairman, I will not attempt to go into the financial details of the Postal Savings System, for these details will be supplied, I am sure, by representatives of the Treasury Department which has recommended and endorsed this legislation. I do, however, want to emphasize the equity and efficiency of the method of distribution proposed in this bill. And, most important, in my mind, the general public would be protected because the legislation would preserve for all future claimants the right to deal directly with the Federal Government for their money, upon submission of their claims, on the basis of the full faith and credit of the United States.

Mr. Chairman, as I have said, the executive branch has recommended this legislation and I believe it is a sound and workable plan for the equitable distribution of the unclaimed and inactive accounts of the Postal Savings System. I am aware of no opposition to the bill, and I urge its enactment.

Mr. Nix. Our next witness is Mr. Julius Greenfield, assistant attorney general, State of New York, appearing for Hon. Louis Lefkowitz, attorney general of that State. Mr. Greenfield?

STATEMENT OF JULIUS GREENFIELD, ASSISTANT ATTORNEY GENERAL, STATE OF NEW YORK; ACCOMPANIED BY JOHN MULLINS, ASSISTANT DIRECTOR, DEPARTMENT OF AUDIT AND CONTROL, STATE OF NEW YORK

Mr. GREENFIELD. Thank you, Mr. Chairman, and members of the subcommittee, my purpose in appearing here this morning is to state the support of our State, the State of New York, for the general purposes of the bill.

I think some background on this might be in order. When the Postal Savings System was discontinued by the act of 1966, which has been referred to before, we started to make inquiries as to what the State of New York would be entitled to.

And we met with representatives of the Treasury Department over a period of years. We also met with representatives of the Treasury Department in conjunction with proposed regulations which had been published by the Treasury Department, and there were a series of discussions in conjunction with those proposed regulations.

The Treasury Department took the position that they would only make payments to the States at that point if the States obtained court judgments of escheat based upon State statutes which authorized escheat of funds held by Federal instrumentalities.

We at that time took the position that we had the requisite authority under our existing statutes. Nevertheless, we proceeded to propose legislation to the legislature of the State of New York which passed, and was enacted and became effective in May of 1969.

This provided for specific escheat of property held by Federal instrumentalities, which belonged to residents of the State of New York.

One point I would like to make very briefly is the fact, that where funds are held by instrumentalities of the United States, on account of residents of particular States, that the States have taken the position almost unanimously—I might say unanimously—that State laws dealing with the question of escheat apply.

This is the reason why we enacted the legislation I have already spoken of.

We proceeded to prepare cases for our State courts, and we were in the process of bringing those actions when we were asked by the Treasury Department not to proceed with the actions because they contemplated the submission of legislation of the kind that is before this committee at the present time.

We felt that the proposed legislation was reasonable and logical. It would save us a great deal of litigation. It would save us, and the Treasury, it would seem to me, a great deal of litigation with respect to overlapping claims by the various States.

The legislation, as you certainly have noted, provides that the States would receive distributions in the proportion that deposits were made in the post offices within the respective States over the total amount of the unclaimed funds.

Now I don't think it is necessary to go into any extended statement of the specifics of the legislation. We feel that our position has already been made clear. We support the bill. We think that the bill will accomplish exactly what Treasury has sought to accomplish, and what the States seek to accomplish by their own escheat laws.

I have with me my colleague, Mr. John Mullins, who is assistant director of our Department of Audit and Control. We are prepared to answer any questions that may be asked of us.

Mr. NIX. Thank you very much, Mr. Greenfield. We appreciate your appearance here, Mr. Mullins.

Mr. Johnson, do you have a question?

Mr. JOHNSON. Yes, Mr. Chairman.

This discussion is very interesting. If this legislation doesn't pass, from the State standpoint, what do you figure is the situs of the deposit for purposes of venue of your courts of the State of New York, in order to escheat this money?

Would it be every post office in the State of New York? Would it be wherever the deposit had been made?

Mr. GREENFIELD. Let me first talk about our legislation because I think that would answer your question in part, sir.

Our legislation authorizes us to bring a court proceeding in any jurisdiction that we select with appropriate notice to the persons who would be claimants, so that venue is not a very important consideration. Does that answer your question?

Mr. JOHNSON. Yes. However, if the venue were the county wherein the situs of the deposit is, would you have to hire lawyers there and give them commissions?

Mr. GREENFIELD. We go in by ourselves. The attorney general's office would go in and bring the action. As a matter of fact, we had prepared two class actions; our legislation authorizes us to bring class actions with appropriate provision for notice to the claimants. And we were going to bring them in our supreme court of New York County, because that is most convenient for us.

Mr. JOHNSON. Isn't an escheat law a tax law? And, if it is, wouldn't you be running into the idea that the States cannot tax a Federal instrumentality.

Mr. GREENFIELD. Well, sir, I don't think an escheat law is a tax law. I think the theory of escheat is based upon old English common law that the sovereign has the right to take the property, unclaimed property of its residents, and that is not a tax law. Literally, the State is substituted as an heir for the person who has not claimed the property.

We have what you might call a backup provision of our escheat law. We have abandoned property laws which permit us to take the property and hold it for the benefit of the person who would be entitled there to.

Mr. JOHNSON. Thank you very much.

Mr. NIX. Mr. Dulski?

Mr. DULSKI. I have no questions. I think I spoke with you on the telephone, didn't I?

Mr. GREENFIELD. Yes, sir, I did call you, and I thank you very much.

Mr. DULSKI. You see how strong are your powers of persuasion. I introduced the bill.

Mr. NIX. Mr. Young?

Mr. YOUNG. No questions.

Mr. NIX. Mr. Bevill?

Mr. BEVILL. Thank you, Mr. Chairman. Just one question. Do you have any recommendations with reference to whether a statute of limitations should be in this bill as far as filing of claims is concerned for these funds?

Mr. GREENFIELD. Our own view is that we would prefer to take property of this kind without any statute of limitations. We are customarily prepared, in our abandoned property law, to hold the funds for the benefit of those persons who might claim them at some later date, without a statute of limitations.

I might add in all candor that there aren't very many of those claims made, but nevertheless, it is available.

Mr. BEVILL. As a rule, too, the statute of limitations does not run against the Government, does it?

Mr. GREENFIELD. No, not as far as escheat is concerned, it would not.

Mr. BEVILL. Thank you.

Mr. NIX. I want to take this opportunity to again thank all of the witnesses who appeared here today, and you go away with the satisfaction of knowing that your joint testimony served as a catalyst for immediate action in the Congress of the United States. Thank you very much.

Mr. GREENFIELD. Thank you very much, sir.

Mr. PIERCE. Mr. Chairman, if I may, you asked for the regulation issued by the Treasury in August 12, 1969. May I now insert it?

Mr. NIX. Thank you, Mr. Pierce. It will be made part of the record. (The information follows:)

§ 257.3 Applications by States.

(a) *Entitlement.* The Treasury Department will recognize and pay a claim by a State for unclaimed postal savings accounts, made in conformity with these regulations, where the State has obtained a State court judgment of escheat transferring to the State the right and title, as owner, to unclaimed deposits of persons whose last known addresses were in that State, under a State escheat law applicable to private funds held by Federal officials for their rightful owners.

(b) *Accounts considered unclaimed.* (1) The Treasury Department has determined that accounts transferred by the Post Office Department under 39 U.S.C. 5228 as inactive accounts, being at the time of transfer 20 or more years

without activity, and not since paid, nor pending payment, nor held by the Treasury on the request of the depositor, are now unclaimed in the hands of the Treasury.

(2) The accounts transferred by the Post Office Department as active accounts and remaining unpaid or unclaimed as of May 1, 1971, being 5 years subsequent to the closing date of the Postal Savings System, will be deemed on that date to be unclaimed in the hands of the Treasury Department.

(c) *Information and records on inactive accounts.* The Bureau of Accounts will provide, without charge, to the appropriate State official designated by the State's Attorney General:

(1) A list of depositors by post offices in that State, produced from magnetic tapes prepared by the Post Office Department, which shows the account number, the post office of deposit, the depositor's name, and the unpaid principal for unclaimed inactive accounts with principal balances of \$3 or more.

(2) The individual account cards of depositors at post offices in that State, which show addresses and account transactions, covered by the list, when notified by the State's Attorney General that these cards are needed to initiate judicial proceedings for the escheat of unclaimed accounts of depositors whose last known addresses were in that State, and upon written agreement by the State's representative to return to the Bureau of Accounts promptly all account cards showing last addresses in another State.

(3) The Bureau of Accounts will permit access by State representatives, at the Bureau, to the account cards of depositors at that State's post offices, with principal balances of \$1 or \$2 for compiling lists when the State intends to seek escheat of these accounts.

(d) *Information and records on active accounts.* On or after May 1, 1971, the Bureau of Accounts will furnish, without charge, to the designated State representative:

(1) A list of depositors at post offices in that State, produced from magnetic tapes received from the Post Office Department which shows the account number, the post office of deposit, the depositor's name, and the unpaid principal for unclaimed active accounts, regardless of amount.

(2) The individual account cards of depositors at post offices in that State, which show addresses and account transactions, covered by the list, when notified by the State's Attorney General that these cards are needed to initiate judicial proceedings for the escheat of unclaimed accounts of depositors whose last known addresses were in that State, and upon written agreement by the State's representative to return to the Bureau of Accounts promptly all account cards showing last addresses in another State.

(e) *Payment of claims by Bureau.* The Bureau of Accounts will continue to process and pay claims for deposits, the records for which have been transferred to a State, until the date of a judicial decree escheating title to unclaimed accounts to the State. For this purpose the State's representative accepting the account cards shall return to the Bureau such account cards as may be needed.

(f) *Principal payment.* The amount paid to a State will be the amount which represents the total of the principal balances shown on the lists of those accounts covered by an escheat decree, but the total amount of the principal for active accounts will be reduced by a small, uniform percentage reflecting the margin of error in the records between the total of principal balances shown on the lists of active accounts provided by the Post Office Department and the lesser, and more accurate, total amount for such accounts shown by the books of the Board of Trustees of the Postal Savings System and transferred to the Secretary of the Treasury.

(g) *Interest payment.* The interest accrued on the principal balances of the escheated accounts will be computed on the total principal to be paid and will be calculated by a uniform formula for inactive accounts and another for active accounts, designed to provide an equitable percentage payment of interest, based on the Bureau's experience as to the percentage of interest, to principal, paid on inactive and active accounts liquidated.

(h) *Payment terms—indemnity commitment.* Payment of principal and interest, in accordance with the foregoing provisions, will be made to a State upon receipt of a copy of a final judgment of escheat of title to the accounts listed in the judgment, in accordance with the State's law, and upon receipt of a commitment by the State to indemnify the United States for any loss suffered as a result of the escheat of the unclaimed accounts.

Mr. DULSKI. Mr. Chairman, I move that the subcommittee report favorably to the full committee the bill, H.R. 135, without amendment.

Mr. JOHNSON. I second the motion.

Mr. NIX. It has been moved and seconded that the subcommittee report H.R. 135 favorably to the full committee. Those in favor of the motion, indicate by saying aye.

(Ayes in favor.)

Mr. NIX. Opposed?

(No response.)

Mr. NIX. The motion is agreed to, and the subcommittee will adjourn.

(Whereupon, at 10:40 a.m., the subcommittee hearing was adjourned.)

(The administration reports on H.R. 135 from the Treasury Department and the Office of Management and Budget follow:)

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., March 19, 1971.

HON. THADDEUS J. DULSKI,
Chairman, Post Office and Civil Service Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 135, "To provide for periodic pro rata distribution among the States and other jurisdictions of deposit of available amounts of unclaimed Postal Savings System deposits, and for other purposes."

On June 30, 1970, the Department transmitted draft legislation to the Speaker of the House of Representatives to provide for distribution of unclaimed Postal Savings System deposits. That legislation, with technical changes necessitated by the enactment of the Postal Reorganization Act, was introduced as H.R. 19400, 91st Congress and referred to your Committee.

H.R. 135, which is essentially identical with H.R. 19400, is designed to provide a more practical and equitable method than exists under present law for the fifty States and the four other jurisdictions of deposit, the District of Columbia, Puerto Rico, the Virgin Islands and Guam, to obtain an appropriate portion of the unclaimed amounts of the Postal Savings System attributable to deposits in post offices in those States and jurisdictions, while retaining in the Treasury sufficient funds to meet indefinitely possible claims by or on behalf of depositors. The unclaimed amounts in the Postal Savings System are held by the Secretary of the Treasury in a trust fund account under the authority of the Act of March 28, 1966, 80 Stat. 92 (39 U.S.C. Supp. V, 1964 ed., 5225-5229), which terminated the Postal Savings System as of April 27, 1966, and transferred the remaining funds to the Treasury Department for liquidation as of July 1, 1967.

Since the passage of the Act of March 28, 1966, many of the States have pressed claims, under their laws providing for State custody or escheat of unclaimed funds, for the unclaimed accounts of Postal Savings depositors in those States. This Department has opposed State claims for custody and administration of these unpaid accounts, but issued regulations on August 12, 1969 (34 F.R. 13031; 31 CFR 257.3) providing for recognition of a State court judgment of escheat to the State under applicable State law, and for furnishing to a State, upon request, of records of "inactive" accounts, i.e., those which had been 20 years without activity at the time of transfer of records from the Post Office Department. Although a number of States have taken the first steps to obtain records of inactive accounts in conformity with these regulations, no State has yet commenced court action to escheat the inactive accounts in view of the pendency of H.R. 19400 in the 91st Congress.

The amount of the remaining unclaimed funds in the Postal Savings System as of December 31, 1970, was \$8,854,599.71 in principal, and \$2,175,013.88 in estimated accrued interest. This Department has been able to pay out to proper claimants since July 1, 1967, 83.36 percent of the \$53,118,292.27 in principal received from the Post Office. However, only 17.50 percent of the accounts have been paid as of December 31, 1970. Specifically, 101,401 accounts have been paid of the 579,516 unpaid accounts received from the Post Office Department.

The first section of H.R. 135 would authorize the Secretary of the Treasury to divide the remaining principal and accrued interest of unclaimed Postal Savings System deposits into a retention balance and a distribution balance; the first division would be made within sixty days after enactment and subsequent divisions would occur on such dates as the Secretary may set during the four following years. The retention balance of remaining principal and accrued interest would be held available to pay individual claims for particular accounts by or on behalf of depositors. The Secretary would be authorized to proceed to distribute the distribution balance, on a pro rata share basis, among each of the fifty States and the four other jurisdictions of deposit. Each pro rata share would be determined by the ratio between (1) the dollar amount of the principal of unclaimed deposits, remaining in the trust fund account as of the dates of each division into a retention and a distribution balance, which had been deposited in post offices within the State or other jurisdiction, according to System and Treasury records, and (2) the dollar amount of the principal of the total remaining deposits. The retention balance on hand after the fifth and final pro rata distribution would be held in perpetuity in the trust fund account to honor subsequent claims by or on behalf of depositors regardless of the provisions of unclaimed or abandoned property laws of the States and other jurisdictions of deposit, which category of laws includes escheat statutes. All determinations by the Secretary would be final and conclusive.

The second section of H.R. 135 would authorize appropriations without fiscal year limitation to the trust fund account, in the event, which the Secretary would seek to guard against, that the trust fund balance (because of the share distribution payments) is insufficient to pay claims by or on behalf of depositors.

Enactment of H.R. 135 would eliminate significant burdens and expenses for the States, including legislative action to enact an appropriate escheat statute; sorting out the addresses on account cards acquired from the Treasury for all unliquidated accounts pertinent to the State; advertising each account in the appropriate locality or otherwise attempting to reach each depositor by mail; obtaining the State court judgment of escheat; and handling individual claims received after escheat. All burdens for the Treasury, which are implicit in the foregoing, would likewise be precluded by the proposed legislation. As for the general public, the bill would preserve for all future claimants the right to look directly to the United States for their money, promptly upon submission of their claims, on the basis of the same full faith and credit of the United States which prompted their deposits in the Postal Savings System in the first place.

In view of the foregoing, the Department strongly recommends expeditious and favorable consideration of the proposed legislation.

The Department has been advised by the Office of Management and Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,

SAMUEL R. PIERCE,
General Counsel.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., March 22, 1971.

HON. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Office of Management and Budget on H.R. 135, a bill "To provide for periodic pro rata distribution among the States and other jurisdictions of deposit of available amounts of unclaimed Postal Savings System deposits, and for other purposes."

The Office of Management and Budget concurs in the views expressed by the Secretary of the Treasury in his report on this bill and accordingly recommends the enactment of H.R. 135.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

[From the Congressional Record of September 22, 1970]

ON UNCLAIMED POSTAL SAVINGS DEPOSITS

(By Hon. Robert N. C. Nix)

Mr. NIX. Mr. Speaker, I will today introduce a bill that is an administration request.

The U.S. Treasury Department has requested that legislation be introduced that would permit the unclaimed deposits in the now defunct postal savings system to escheat to the State treasuries.

The U.S. Treasury is anxious to distribute these funds in a fair and equitable fashion but they do not believe they can do so under the present law.

The passage of this bill will protect the States, the Federal Government, and the depositors should any make claims in the future.

The amount of money involved in unclaimed deposits is \$65.1 million resulting from unclaimed accounts. Many of the depositors are dead or missing. The money had been on hand a lengthy period of time. However, should any depositors make a claim, or those representing estates of deceased depositors, money would be made available to pay the claims by the Treasury.

I think that it is necessary that this bill be introduced and passed to assure equity, and avoid any possible injustice.

A full explanation of this legislation submitted by the Secretary of the Treasury is herewith incorporated and included:

THE SECRETARY OF THE TREASURY,
Washington, D.C.

HON. JOHN W. McCORMACK,
The Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith a draft of a proposed bill, "To provide for periodic, pro rata distributions among the states and political subdivisions of available amounts of unclaimed Postal Savings System deposits, and for other purposes."

... more practical and equitable method than exists under present law for the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam to obtain an appropriate portion of the unclaimed amounts in the Postal Savings System attributable to deposits in post offices in those states and political subdivisions while retaining in the Treasury sufficient funds to meet indefinitely possible claims by or on behalf of depositors.

The Postal Savings System is being liquidated by the Treasury Department under Public Law 89-377 (39 U.S.C. 5225-5229) which discontinued the System as of April 27, 1966, and transferred the remaining funds and accounts to the Secretary of the Treasury as of June 30, 1967. As of that date there were 579,516 unpaid individual depositors accounts with an estimated aggregate unpaid liability of \$65.1 million. As of December 31, 1969, 481,851 accounts remained unpaid representing an estimated aggregate liability of \$12.5 million. Detailed information on the liquidation of the System is contained in the attached Treasury Department Memorandum.

Over the past several years a number of states have sought by representations to the Treasury Department, by litigation in a federal court, and by revision of their own statutes to obtain custody or ownership of the unclaimed postal savings deposits of depositors in those states. The Treasury Department has taken the position, incorporated in its regulations on this subject, 31 CFR 357.3, August 12, 1969, 34 F.R. 13031, that a state may obtain unclaimed deposits only under a court judgment determining the state to be the owner of the deposits through escheat under an appropriate state statute, thus enabling the state to claim the deposits as the rightful owner. The deposits escheatable are those of depositors whose last known addresses are in the escheating state. The legal situation is discussed in more detail in the attached Treasury Department Memorandum.

Under the Treasury Department's regulations, states undertaking escheat may now obtain lists by post officers of the deposits made in their states and the account cards showing addresses for those accounts which the Post Office Department had segregated as "inactive," that is accounts held 20 years without activity. Lists and the remaining account cards covering active accounts would be available at the end of the 5-year period since the Postal Savings System was discontinued. As of December 31, 1969, 15 states had requested and received the lists of inactive accounts.

However, this procedure is not satisfactory to the states, nor to the Treasury Department, nor presumably to claimants appearing subsequently to the completion of any escheat proceedings. Most states do not have appropriate escheat statutes and are reluctant to adopt them as they prefer their unclaimed property statutes allowing a state administrator to hold and distribute unclaimed property as a custodian. Also, the determination of last known addresses necessitates review of the thousands of individual account cards for the accounts of depositors in that state remaining unpaid. The procedure also requires extensive paper work for the Treasury Department. Most important, payment of escheated accounts to the states may mean unwelcome referrals of tardy claimants to the states and possible cutoff of their claims. Further the possibility of escheat action is believed not to be available to the four named political subdivisions since they are not states and therefore do not possess the power of sovereignty which permits escheat.

To provide an alternative to this costly and time-consuming situation, the proposed bill would add two further sections to chapter 85 of title 39 of the United States Code. The first new section would authorize the Secretary of the Treasury to divide the remaining principal and accrued interest of unclaimed Postal Savings Systems deposits, held in the trust fund account established pursuant to 31 U.S.C. 725p as directed by 39 U.S.C. 5228, into a retention balance and a distribution balance; the first division would be made within sixty days after enactment and subsequent divisions would occur on such dates as the Secretary may set during the four following years. The retention balance of remaining principal and accrued interest would be held available to pay individual claims for particular accounts by or on behalf of depositors. The Secretary would be authorized to proceed to distribute the distribution balance, on a pro rata share basis, among each of the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam, in all of which areas postal savings accounts were maintained. Each pro rata share would be determined by the ratio between (1) the dollar amount of the principal of unclaimed deposits, remaining in the trust fund account as of the dates of each division into a retention and a distribution balance, which were on deposit in post offices within the state or political subdivision immediately prior to the transfer of the unpaid deposit to the Secretary from the Post Office Department according to System and Treasury records, and (2) the dollar amount of the principal of the total remaining deposits. The retention balance on hand after the fifth and final pro rata distribution would be held in perpetuity in the trust fund account to honor subsequent claims by or on behalf of depositors regardless of the provisions of unclaimed or abandoned property laws of the states and political subdivisions, which category of laws include escheat statutes. All determinations by the Secretary would be final and conclusive.

The second new section to be added to title 39 of the Code would authorize permanent indefinite appropriations to the trust fund account, in the event; which the Secretary would seek to guard against, that the trust fund balance (because of the share distribution payments) is insufficient to pay claims by or on behalf of depositors.

Enactment of the proposed bill in the near future would eliminate significant burdens and expenses for the States. These include such activities as (1) legislative action to enact an appropriate escheat statute; (2) sorting out the addresses on account cards acquired from the Treasury for all unliquidated accounts pertinent to the State; (3) advertising each account in the appropriate locality or otherwise attempting to reach each depositor by mail; (4) obtaining the state court judgment of escheat; and (5) handling individual claims received after escheat. All burdens for the Treasury, which are implicit in the foregoing, would likewise be precluded by the proposed legislation. As for the general public, the proposed legislation would preserve for all future claimants the right to look directly to the United States for their money, promptly upon submission of their claims, on the basis of the same full faith and credit of the United States which prompted their deposits in the Postal Savings System in the first place.



