STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 07/23)

Fiscal Year	Business Unit Number	Department
2025-26	0840	State Controller's Office

Hyperion Budget Request Name	Relevant Program or Subprogram
0840-043-BCP-2025-MR	0500400 - Unclaimed Property

Budget Request Title
Unclaimed Property Management System Replacement (UPMSR) Project Funding Realignment

Budget Request Summary
The State Controller's Office (SCO) requests $1,025,000 in 2025-26, $729,000 in 2026-27, $785,000 in 2027-28, $842,000 in 2028-29, $900,000 in 2029-30 from the Unclaimed Property Fund for the Unclaimed Property Management System Replacement (UPMSR) Project to support the ongoing maintenance and operations costs of the new system.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A	N/A

Does this BCP contain information technology (IT) components? ☒ Yes ☐ No *If yes, departmental Chief Information Officer must sign.*	Department CIO	Date
	Todd Boltjes, Chief, Information Systems Division	

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. 0840-091 **Project Approval Document:** S4PRA

Approval Date: March 13, 2024 **Total Project Cost:** $13,423,616

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By	Date
Ted Lambert, Acting Chief Unclaimed Property Division		Jennifer Chavez, Chief Admin and Disb. Division	
Department Director	**Date**	**Agency Secretary**	**Date**
Cathy Leal, Chief Operating Officer		N/A	

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology

Principal Program Budget Analyst	Date submitted to the Legislature
Dominick Guidera	May 14, 2025

A. Problem Statement

The State Controller's Office (SCO) requests to increase and update previously approved funding for the Unclaimed Property Management System Replacement (UPMSR) project and ongoing maintenance and operations funding to reflect current market pricing and actual transactions and updated estimates for future years.

SCO's Unclaimed Property Management System (UPS2000) is nearing the end of its functionality, cannot accommodate digital workflows, carries a risk of critical system failure that would impact the General Fund, and lacks modern fraud detection updates to protect against fraudulent claim activities.

The UPMSR replaces the existing outdated system while also introduces digital and automated workflows to better accommodate current and future claim submission volumes with enhanced fraud protection features.

Background

SCO received approved funding from a 2022-23 budget change proposal (BCP) to support the replacement of the current UPS2000 system. The UPMSR is a critical component of the state's plan to:

- Replace an aging system that was reaching the end of its functionality.
- Reduce risk of critical system failure and increase confidence, stability, and longevity in the management system and its program activity.
- Increase program efficiencies including addition of digital workflows, automated fraud prevention, and reduced processing times in the receipt and return of unclaimed property.

The Controller must render a decision on received claims within 180 days from receipt pursuant to CCP Section 1540. SCO's Unclaimed Property Division (UPD) receives claims in various sizes and complexity. While UPD typically evaluates simple claims within the first few months after receipt, the manual claim and documentation submission process, complex review of submitted documents, and staff waiting on claimants to submit additional documentation, have created a backlog. On average, for more complex claims, UPD renders decisions approximately 179 days after receipt.

As shown in the tables below, the number of unclaimed property reports and the amount of remitted property and remitted cash SCO receives increases each year (note that in 2020, in response to COVID 19, the Controller postponed the due date for holders to submit their unclaimed property remit report and deadline to remit cash. As a result, some reports and funds that would otherwise have been received in 2019-20 were not received until 2020-21). These increases persist despite the fact that more than one million businesses that file taxes and conduct business in California fail to submit unclaimed property reports each year. As the number of received unclaimed property reports continues to increase, UPD is increasingly challenged to meet annual deadlines to process received reports and send notices to owners, as required by CCP Section 1531.

Holder Reporting Workload History

Workload Measure	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25[1]
Received Unclaimed Property Reports[2]	34,789	44,154	41,613	43,536	43,306	43,152
Remitted Property (number of properties in thousands)	5,300	5,700	5,600	4,800	6,400	5,625
Remitted Cash[3] (cash value of remitted property in thousands)	$661,000	$1,300,000	$1,100,000	$1,400,000	$1,400,000	$1,300,000

[1] Estimates based on prior year averages, excluding 2019-20 as it is an outlier.
[2] 2019-20 and 2020-21 Received Reports are not consistent with surrounding years due to COVID 19 and the Controller's subsequent postponement of the remit due date.
[3] 2019-20 and 2020-21 Remitted Cash are not consistent with surrounding years due to COVID 19 and the Controller's subsequent postponement of the remit due date.

Although the amount of unclaimed property reported to and received by the state continues to rise, the corresponding amount of unclaimed property being returned to owners remains relatively unchanged. Due to the lack of digital processing features available in UPS2000, UPD has exhausted optional efficiencies that would increase the return of property.

Consumer Services Workload History

Workload Measure	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25[1]
Properties Returned to Owners[2]	429,439	535,342	951,502	741,954	862,841	772,910
Cash Returned to Owners[2] (dollars in thousands)	$258,000	$331,000	$412,000	$360,600	$465,600	$392,300
Average Claim Age[3] (number in days)	146	191	149	166	194	218
Customer Questions Handled by Automated Response[4]	107,861	123,174	102,835	127,548	148,480	135,934

[1] Estimates based on prior year average, excluding 2019-20 as it is an outlier.
[2] 2019-20 and 2020-21 Properties Returned to Owners and Cash Returned to Owners are not consistent with surrounding years due to the COVID 19 pandemic and subsequent staffing changes.
[3] 2021-22 Average Claim Age is estimated based on average monthly claim age for each year since the start of COVID 19 in March 2020. The estimate for 2024-25 is based on the actual claim age as of March 31, 2025
[4] 2021-22 Customer Questions Handled by Automated Response is estimated based on average monthly customer questions handled each year since the start of COVID 19 in March 2020. The estimate for 2024-25 is based on the actual average monthly customer questions as of March 31, 2025

As the awareness of the unclaimed property program increases and UPS2000 becomes more outdated with fewer options for operational efficiencies, UPD will continue to be challenged to meet the 180-day requirement, as indicated by the Average Claim Age displayed above. With the approval of the prior BCP, SCO began the Project Approval Lifecycle (PAL) process with the California Department of Technology (CDT), with system implementation anticipated to begin in September 2025.

B. Justification

Through the procurement and implementation stages of the project, SCO has identified additional costs for the UPMSR which reflect current market costs, system needs, and updated claims experience as follows.

Benefits of the UPMSR to the state:

- Reduce SCO's risk of critical system failure that would result in significant revenue decreases.
- Improve fraud protections for unclaimed property owners and California taxpayers.
- Improve efficiency for and consistency in detecting fraudulent activity and reduces risk of approving fraudulent claims.
- Enable UPD to manage increases in unclaimed property remitted to the state by holders, thereby increasing remittance revenues.
- Increase efficiency in processing holder reports, ensuring SCO mails notices to owners in the timeframe required by CCP and increasing the likelihood that owners will be reunited with their property before it is transferred to the state.
- Increase efficiency in claims processing, thereby increasing properties reunited with owners and reducing the average age of claims.
- Reduce risk of exposure of Personal Identifiable Information (PII) such as social security numbers, addresses, and dates of birth and death, from data breaches, emails, and postal mail.
- Enable SCO to continue its responsibility to safeguard assets of California citizens and UPD's mission to reunite owners with their property.
- Reduce delays in repayment of holder lien fees from safe deposit boxes.
- Increase annual revenues transferred to the General Fund.

Annual System Licensing - annual cost increase of three percent.

Document Management Licensing –annual cost increase of three percent, and number of users estimated to increase from 100 to 200.

FastTrack (eClaim) Transactions – estimated increase in transactional costs to digitally evaluate and approve claims that qualify for electronic automated claiming. Visits to the Controller's unclaimed property claiming website and the number of claims submitted has increased significantly requiring SCO to adjust the estimated transactions. Based on the contracted vendor's analysis of eClaim eligible properties and the rate of claiming, SCO estimates to conduct approximately 600,000 transactions per year at the same rate previously approved ($1.25 each).

Fraud Index Transactions - due to the increase in submitted claims, fraud analysis transactions are anticipated to increase to 870,000 per year, at $0.35 each.

Owner Authentication –during system implementation and the vendor's analysis of SCO's unclaimed property data, SCO learned that the vendor could not program the system to perform both the on-demand analysis and the bulk analysis and that the number of eligible properties that would need to be analyzed annually had increased to 5 million. As a result, SCO elected to analyze 5-years' worth of eligible properties (24,623,920 transactions at $0.04 each) before the system goes live – essentially analyzing properties in advance instead of on-demand – and increased the annual estimate to 5 million (at $0.04 each) to match the more recent data analysis. Therefore, SCO requests $1,000,000 in 2025-26 for a one-time cost to analyze 5-years' worth of properties and $200,000 in 2026-27 and ongoing for annual analysis of qualifying properties received each year.

IaaS Hosting and Disaster Recovery – request includes additional services for data infrastructure and disaster recovery of the new system, as well as an annual cost increase of three percent. Because the new system is a Software as a Service (SaaS), the data infrastructure will be hosted by the contracted vendor, and as such additional service is needed to ensure improved performance and uptime of the cloud-based system and protection against service interruptions and data loss. Costs for this feature were unknown previously and are based on annual coverage under contract.

Chatbot Licensing – request includes additional costs for licensing Chatbot functionality to integrate the Controller's website and the unclaimed property management system into an automated customer service tool, as well as an annual cost increase of three percent. This feature will provide automated assistance to the public, during and outside of standard operating hours, and will reduce the workload on customer service support staff. In addition, this feature will improve user experience by enabling them to receive faster responses to common questions and claim-related inquiries. Costs for this feature were unknown previously and assumes 100,000 Chatbot messages per month.

Melissa Data Address Verification – request includes additional costs for Melissa Data address verification functionality to ensure notices to owners of unclaimed property are mailed to valid addresses. One of the many ways properties become unclaimed is due to the holder records containing incorrect or incomplete addresses for the property owners. This feature will identify reported owner addresses that are incomplete, such as missing a zip code or a state, or incorrect, such as when the state does not match the zip code, and will ensure that notices are mailed to complete and valid addresses. In addition, Melissa Data includes the functionality to provide updated addresses based on national change-of-address (NCOA) services. By implementing this functionality, SCO will retain the exact address that was in the holder records, which is necessary to prove owner entitlement, while also reducing the number of notices that are returned as undeliverable, increasing successful owner outreach, and by extension increasing the return of property to owners. Costs for this feature were unknown previously and assumes 2,000,000 address verifications per year.

C. Departmentwide and Statewide Considerations

The state's unclaimed property laws require business entities to report to the state all tangible and intangible property in which there has been no owner contact or owner-initiated activity for a period, typically three years. Common types of unclaimed property include payroll and wages, bank accounts, uncashed checks, insurance benefits, and safe deposit box contents. CCP Section 1365 provides SCO all the powers necessary to safeguard and conserve the interests of all parties, including the state, having vested or expected interest in unclaimed property. Once it is reported to the state, UPD safeguards and reunites owners with their lost or abandoned property upon submission and approval of a claim. UPD makes every effort to ensure the rightful owner of the unclaimed property is paid.

With UPS2000 at the end of its functionality, SCO determined in FY 2022-23, that it was in the best interest of the state to replace the aging system and procure one that will best meet the needs of the program and the public. SCO worked through the CDT PAL process to replace the existing system. SCO estimates that, within three years of implementation, efficiencies from the new system, known as KAPS, will result in reduced processing times in the receipt and return of unclaimed property to its rightful owners, increase fraud prevention, and increase General Fund revenue. As shown in the Revenues and Expenditures Projected Outcomes table below, UPD expects to receive an additional $220 million in remitted cash within three years after implementation, and to return an additional $62 million in unclaimed property to owners within two years after implementation. After deducting the additional property returned ($62 million) and increased operational costs as of 2028-29 ($2.5 million) from the additional remitted cash will result in a net increase of $155 million in revenues transferred to the General Fund.

D. Outcomes and Accountability

With requested resources, SCO expects to replace UPS2000 with a new system (KAPS) and implement a project management framework to ensure timely completion and tracking of anticipated outcomes and deliverables as detailed in the table below.

Projected Deliverables

Workload Tasks	Workload Activities or Outcomes
Data Integrity and Cleansing Activities (Completed)	• Work with vendor to prepare database records for migration.
Organizational Change Management (In Progress)	• Using the Prosci model, UPD will work with the vendor, IV&V contactor, and both internal and external stakeholders to guide UPD through a successful transition to a new workflow solution.
Implement System Replacement (In Progress)	• Work with vendor to migrate data. • Replace existing system and update related processes.
Testing, Training, and Go Live (In Progress)	• Work with vendor to test new system, migrated data, and related processes. • Work with vendor to train staff on the new solution and new workflows. • Work with vendor to transition to go live with the new system (there will be a two-month stabilization period following implementation; prior to the start of M&O).

Holder Reporting Projected Outcomes

Workload Measure	2024-25[1]	2025-26	2026-27	2027-28	2028-29	2029-30
Received Unclaimed Property Reports[2]	43,152	45,256	47,411	51,721	51,721	51,721
Remitted Property (number of properties in thousands)	5,625	5,635	5,903	6,440	6,440	6,440
Remitted Cash [3] (cash value of remitted property in thousands)	$1,300,000	$1,330,000	$1,393,333	$1,520,000	$1,520,000	$1,520,000

[1] Estimates based on prior year averages.
[2] The goal is to increase by 20 percent within three years of implementation.
[3] Remitted Cash is estimated based on an average cash value of $29,390 in remittances per received report.

Consumer Services Projected Outcomes

Workload Measure	2024-25[1]	2025-26	2026-27	2027-28	2028-29	2029-30
Properties Returned to Owners[2]	772,910	798,653	858,552	918,451	918,451	918,451
Cash Returned to Owners[3] (dollars in thousands)	$392,300	$395,457	$425,116	$454,775	$454,775	$454,775
Average Claim Age [4] (number in days)	218	172	125	125	125	125
Customer Questions Handled by Automated Response[5]	135,934	149,527	149,527	149,527	149,527	149,527

[1] Estimates based on prior year averages.
[2] The goal is to return 15 percent more within two years after implementation.
[3] Cash Returned to Owners is estimated based on an average property value of $500 per property returned.
[4] The estimate for 2024-25 is based on the actual claim age as of March 31, 2025. The goal is to reduce to 125 days within two years after implementation.

[5] The estimate for 2024-25 is based on the actual average monthly customer questions as of March 31, 2025. The goal is to increase volume by 10 percent within first year after implementation.

Revenues and Expenditures Projected Outcomes

Workload Measure **(dollars in thousands)**	**2024-25**[1]	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Increased Remittance Revenues[1]	N/A	$30,000	$93,333	$220,000	$220,000	$220,000
Increased Cash Returned to Owners[2]	N/A	$3,157	$32,816	$62,475	$62,475	$62,475
Operational Expenditures[3]	N/A	$3,198	$2,453	$2,509	$2,566	$2,624
Increased General Fund Transfers[4]	N/A	$23,645	$58,065	$155,017	$155,961	$154,904

[1] Estimates based on 20 percent within three years of implementation. Estimated amounts are based on the difference in Remitted Cash (see Holder Reporting Projected Outcomes table and the estimated Remitted Cash for 2024-25 ($1,300,000). For example, the estimated remitted cash for 2027-28 ($1,520,000) minus the estimated remitted cash for 2024-25 ($1,300,00) rounded to the nearest thousand equals $220,000.

[2] Estimates based on 15 percent increase within two years of implementation. Estimated amounts are based on the difference in Cash Returned to Owners (see Consumer Services Projected Outcomes table) between the applicable fiscal year estimate and the estimated 2024-25 Cash Returned to Owners ($392,300,000). For example, the estimated cash returned for 2027-28 ($454,775,000) minus the estimated cash returned for 2024-25 ($392,300,000) rounded to the nearest thousand equals $62,475.

[3] Based on requested funding.

[4] Increased Remittances less Increased Cash Returned to Owners and Increased Operational Expenditures.

E. Implementation Plan

SCO expects to follow the following plan:

- March 2024 to September 2025: Migrate data and implement new system, procure document scanners and imaging vendor contract, and scan document inventory.
- September 2025: Estimated Go live with new system, including additional digital claims processing and fraud analysis.
- September 2025: Receive the first Holder Notice Reports using the new system.
- June 2026: Receive the first Holder Remit Reports using the new system.
- December 2025 and ongoing: Measure and assess efficiencies gained, make processing and policy adjustments where needed, and evaluate future resource needs under the new system.

F. Supplemental Information

Information Technology: $ 1,025,000 in 2025-26, $ 729,000 in 2026-27, $ 785,000 in 2027-28, $ 842,000 in 2028-29, $900,000 in 2029-30 for continued UPMSR support. The table below provides the cost details included in this request.

Information Technology Detailed Costs

Consulting and Professional Services	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
KAPS Annual License[1]	$1,281,000	$1,320,000	$1,359,000	$1,399,000	$1,440,000
OnBase Document Management Solution Annual License[1]	$247,000	$254,000	$262,000	$270,000	$278,000

Consulting and Professional Services	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Five9 ChatBot Annual License[1]	$19,000	$20,000	$21,000	$22,000	$23,000
KAPS IaaS Hosting and Disaster Recovery[1]	$259,000	$267,000	$275,000	$283,000	$291,000
Kelmar Fraud Index Transactions	$305,000	$305,000	$305,000	$305,000	$305,000
KAPS FastTrack (eClaim)	$750,000	$750,000	$750,000	$750,000	$750,000
KAPS Owner Authentication (BULK)	$1,000,000	$200,000	$200,000	$200,000	$200,000
KAPS Melissa Data Address Verification Transactions	$80,000	$80,000	$80,000	$80,000	$80,000
Current System Baseline Funding (current funding to offset new system cost)	$(743,000)	$(743,000)	$(743,000)	$(743,000)	$(743,000)
Previously approved BCP Funding	$(1,685,00)	$(1,724,000)	$(1,724,00)	$(1,724,000)	$(1,724,000)
Prior Year Contract Encumbrances[2]	$(488,000)	-	-	-	-
Request Totals	**$1,025,000**	**$729,000**	**$785,000**	**$842,000**	**$900,000**

[1] Includes an annual cost increase of three percent.

[2] Includes contract encumbrances from prior years funding, available for 2025-26 expenditures.

BCP Fiscal Detail Sheet

BCP Title: Unclaimed Property Management System Replacement (UPMSR) Project Funding Realignment

BR Name: 0840-043-BCP-2025-MR

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5346 - Information Technology	0	1,025	729	785	842	900
Total Operating Expenses and Equipment	**$0**	**$1,025**	**$729**	**$785**	**$842**	**$900**

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Budget Request	**$0**	**$1,025**	**$729**	**$785**	**$842**	**$900**

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0970 - Unclaimed Property Fund	0	1,025	729	785	842	900
Total State Operations Expenditures	**$0**	**$1,025**	**$729**	**$785**	**$842**	**$900**
Total All Funds	**$0**	**$1,025**	**$729**	**$785**	**$842**	**$900**

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
0500400 - Unclaimed Property	0	1,025	729	785	842	900
Total All Programs	**$0**	**$1,025**	**$729**	**$785**	**$842**	**$900**