REPORT OF THE

VIRGINIA COMMISSIONERS TO THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS

TO THE GOVERNOR AND THE GENERAL ASSEMBLY OF VIRGINIA



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Report of the Virginia Commissioners to the National Conference of Commissioners on Uniform State Laws

to

The Governor and the General Assembly of Virginia Richmond, Virginia

January 1, 2004 - December 31, 2004

HISTORY OF THE CONFERENCE

In 1889, the New York Bar Association appointed a special committee on uniformity of laws. The following year the New York legislature authorized the appointment of commissioners

... to examine certain subjects of national importance that seem to show conflict among the laws of the several commonwealths, to ascertain the best means to effect an assimilation or uniformity of the laws of the states, and especially whether it would be advisable for the State of New York to invite the other states of the Union to send representatives to a convention to draft uniform laws to be submitted for approval and adoption by the several states.

In the same year, the American Bar Association passed a resolution recommending that each state provide for commissioners to confer with the commissioners of other states regarding legislation on certain issues. In August of 1892, the first National Conference of Commissioners on Uniform State Laws (Conference or NCCUSL) convened in Saratoga, New York.

By 1912, every state was participating in the Conference. Since then, the Conference has steadily increased its contribution to state law and has attracted some of the most outstanding members of the legal profession. Prior to his more notable political prominence and service as president of the United States, Woodrow Wilson became a member in 1901. Supreme Court Justices Brandeis and Rutledge, current Chief Justice Rehnquist, and such legal scholars as Professors Wigmore, Williston, Pound and Bogart have all served as members of the Conference. This distinguished body has guaranteed that the products of the Conference are of the highest quality and are enormously influential upon the process of the law.

The Conference, also known as the Uniform Law Commissioners (ULC), began more than 100 years ago because of the interests of state governments in improvement of the law and interstate relationships. Its purposes remain to serve state governments and improve state law.

OPERATION OF THE CONFERENCE

The ULC convenes as a body once a year. The annual meeting lasts eight to 12 days and is usually held in late July or early August. Throughout the year drafting committees, composed of commissioners, work over several weekends on drafts of legislation to be considered at the annual meeting. The work of the drafting committees is read, line-by-line, and thoroughly debated at the annual meeting. Each act must be considered over a number of years; most are read and debated by the Conference two or more times. Those acts deemed by the ULC to be ready for consideration in the state legislatures are put to a vote of the states. Each state caucuses and votes as a unit.

The governing body of the ULC, the Executive Committee, is composed of officers elected by vote of the commissioners, and five members who are appointed annually by the president of the ULC. Certain activities are conducted by standing committees. For example, the Committee on Scope and Program considers all new subject areas for possible uniform acts. The Legislative Committee superintends the relationships of the Conference to the state legislatures.

The ULC maintains relations with several sister organizations. Official liaison is maintained with the American Bar Association. Additionally, liaison is continually maintained with the American Law Institute, the Council of State Governments, and the National Conference of State Legislatures. Other associations are frequently contacted and advised of Conference activities as interests and activities necessitate.

At the national office in Chicago, a small staff provides administrative and clerical assistance to the ULC and the individual members, as well as advice and coordinating assistance in securing the passage of uniform acts. The staff includes a legislative director/legal counsel, deputy legislative director/legal counsel, legislative counsel, chief administrative officer and communications officer and several administrative assistants. The position of executive director is part time and is traditionally occupied by a law school faculty member. In addition, the ULC contracts with "reporters" for professional services to aid in drafting. Reporters are engaged at modest

honoraria to work with drafting committees on specific acts. The Conference also employs professional independent contractors for work on part of its public information and educational materials. The annual budget and audit report of the Conference are available on request.

Members of the ULC contribute numerous hours each year to drafting acts for Conference consideration. Although the members volunteer their time and effort, they are reimbursed for expenses. The cumulative value of the time donated by the commissioners for the development of uniform and model acts conservatively averages \$6 million annually.

The work of the ULC strengthens the state and federal system of government. In many areas of the law, the states must solve problems through cooperative action or the issues are likely to be preempted by Congress. The ULC is one of the few institutions that pursue solutions to problems on a cooperative basis by the states. Without the ULC, more legislative activities would undoubtedly shift from the state capitals to Washington, D.C.

VALUE FOR VIRGINIA AND THE STATES

The process of drafting a uniform act is lengthy and deliberate, yet cost-efficient. A committee is appointed from the membership of the ULC. The American Bar Association is invited to appoint an advisor to each drafting committee. The bylaws of the ULC require at least two years for drafting and two readings of the draft at annual meetings of the ULC. Through this unique system--the only one like it in American political life-comprehensive legislation receives painstaking and balanced, nonpartisan consideration.

The price tag for this process represents true value to the states. With 98 percent of the annual budget of the ULC coming from state government contributions, here is a look at some of the costs and benefits.

Let us assume that a drafting committee will meet twice a year and that a given act will receive about 16 hours of debate. The average committee meeting costs \$10,000. Four meetings over a two-year period will cost \$40,000. Sixteen hours of annual meeting debate translates into an additional \$70,000, figuring the amount budgeted for annual meeting expenses and hours devoted to a specific act. Based on these assumptions, the total cost to the states for a uniform act is \$120,000.

The states would have to come up with an additional \$1,010,000 to duplicate these same services on their own, estimating a \$250 hourly fee for professional services for a total cost of \$1,120,000. The main difference: Uniform Law Commissioners donate their professional services, spending hundreds of hours on uniform state laws as a public service because of their commitment to good law. The cumulative value of this donated time in the development of uniform and model acts averages about \$6,000,000 per year.

Of course, the hypothetical committee that meets twice a year over a period of two years is just that. The average revision of an article of the Uniform Commercial Code takes four years, with three to five committee meetings per year. The original Uniform Probate Code took a full decade to develop and promulgate. The Uniform Adoption Act (1994) required five years, with extensive committee meetings. Each of these comprehensive projects cost much more from the actual budget of the ULC, and represents much larger contributions--in terms of time--from the ULC membership.

The hypothetical example does not consider still other benefits to the state. Major committees of the ULC draw extensive advisory and observer groups into the drafting process. Meetings of the Uniform Commercial Code committees regularly draw advisors and observers in a ratio of two or three to one commissioner. These advisor and observer groups represent various interests, provide outside expertise and facilitate dissemination of the act. It is impossible to place a dollar value on their input, which state funds do not pay.

It is also not possible to measure the worth of the intellectual participation by all who are involved. There is no process at either the state or federal level of the United States government today that compares to the uniform law process--intense, nonpartisan scrutiny of both policy and execution of the law.

STATE APPROPRIATIONS

The ULC is a state service organization that depends upon state appropriations for its continued operation. All states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands are asked to contribute a specific amount, based on population, for the maintenance of the ULC. In addition, each state delegation requests an amount to cover its commissioners' travel expenses for the Conference's annual meeting. The total requested contribution of all the states to the operation of the ULC was \$1,693,100 in fiscal year 2004. The smallest state contribution was \$11,400 and the largest was \$128,300. Virginia's contribution for FY 2004 was

\$38,600. The annual budget of the ULC for FY 2004 was \$1,843,975. Of this amount, \$437,688 goes directly to drafting uniform and model acts, and includes travel expenses for drafting committee meetings, printing and publication costs, and editing and personnel costs. The ULC spent \$408,729 in assisting state legislatures with bills based on uniform and model acts.

OTHER FINANCIAL CONTRIBUTORS

The American Bar Association makes a yearly contribution to the ULC. For FY 2004, it has contributed \$56,250. The ULC also seeks grants from the federal government and from foundations for specific drafting efforts. The last federal grant of \$60,000 funded the drafting effort for a Uniform Environmental Covenants Act.

The Uniform Commercial Code (UCC) is a joint venture between the ULC and the American Law Institute (ALI). The ALI holds Falk Foundation funds that are allocated to work on the UCC. The original Falk Foundation grant came in the late 1940s for the original development of the UCC. Proceeds from copyright licensing of UCC materials provide revenue to replenish the Falk Foundation corpus. At any time work on the UCC commences, a percentage of ULC and ALI costs are paid from the Falk Foundation income.

The Conference will not take money from any source except on the understanding that its drafting work is autonomous. No source may dictate the contents of any act because of a financial contribution.

PROCESS FOR CREATION OF UNIFORM AND MODEL ACTS

The procedures for drafting an act are the result of long experience with the creation of legislation. The Scope and Program Committee, which consists solely of commissioners, considers subject areas of state law for potential uniform or model acts. The Committee reviews suggestions for uniform or model acts from many sources, including organized bar groups, state governments and private persons. The recommendations of the Scope and Program Committee go to the Executive Committee and to the entire ULC for approval.

Once a subject receives approval for drafting, a drafting committee is selected, and a budget is established for the committee work. A reporter is usually engaged, although a few committees work without professional assistance.

Advisors and participating observers are solicited to assist the drafting committee. The American Bar Association appoints official advisors for every committee. Other advisors may come from state government or organizations with interest and expertise in a subject, and from the ranks of recognized experts in a subject. They must donate their time to the effort if they wish to participate. Advisors and participating observers are invited to work with drafting committees and to contribute comments. They do not make final decisions with respect to the final contents of an act. Only the commissioners who compose the drafting committee may do this.

A committee meets according to the needs of the project. Meetings ordinarily begin on Friday morning and finish by noon on Sunday, so as to minimize conflict with ordinary working hours. A short act may require one or two committee meetings. Major acts may require one meeting every month for a considerable period of time--several years in some instances. A committee may produce a number of successive drafts as an act evolves.

At each annual meeting during its working life, the drafting committee must present its work to the whole body of the ULC. The most current draft is read and debated. This scrutiny continues from annual meeting to annual meeting until a draft satisfies the whole body of the commissioners. No act is promulgated without at least two years' consideration, meaning every act receives at least one interim reading at an annual meeting, and a final reading at a subsequent annual meeting. An act becomes official by a majority vote of the states. As mentioned earlier, each state commission caucuses to represent its state's position and each state receives one vote. The vote by states completes the drafting work, and the act is ready for consideration by the state legislatures.

ACTIVITIES OF THE VIRGINIA COMMISSIONERS

The Governor is authorized to appoint three members, each to serve a four-year term (§ 30-196, Code of Virginia). The three gubernatorial appointees are: H. Lane Kneedler of Charlottesville, Ellen F. Dyke of Vienna, and Thomas Edmonds of Richmond.

In addition to the Governor's appointments, the Constitution of the Conference authorizes the appointment of life members upon recommendation of the Executive Committee. To be eligible for life membership, a commissioner must have served as president of the Conference or as a commissioner for at least 20 years. Virginia's life members are Brockenbrough Lamb, Jr., a member since 1953, and Carlyle C.

Ring, Jr., a member since 1970 and president of the Conference from 1983 to 1985.

The Constitution of the Conference also grants membership as an associate member to the principal administrative officer of the state agency "charged by law with the duty of drafting legislation, or his designee." Esson McKenzie Miller, Jr., director of the Division of Legislative Services since 1989, is an associate member. Jessica D. French, senior attorney with the Division, was designated an associate member in July 1999.

The Virginia commissioners have served on the following committees during the past year:

Carlyle C. Ring, Jr. - Chairman, Committee on Uniform Commercial Code; Chairman, Drafting Committee on Amending Uniform Anatomical Gift Act; Enactment Plan Coordinator, Member, Permanent Editorial Board for Uniform Commercial Code; Member, Committee on Federal Relations.

Ellen F. Dyke - Member, Drafting Committee on Uniform Residential Mortgage Satisfaction Act.

H. Lane Kneedler - Member, Scope and Program Committee; member, Drafting Committee on Uniform Certificate of Title Laws and member; Drafting Committee on the Model State Administrative Procedures Act.

Esson McKenzie Miller, Jr. - Member, Study Committee on Uniform Certificate of Title Laws; Member, Committee on Liaison with Legislative Drafting Agencies; Member, Legislative Committee.

Jessica D. French - Member, Study Committee on Collateral Sanctions in Criminal Sentencing.

ACTIVITIES OF THE 2004 VIRGINIA GENERAL ASSEMBLY

Based on recommendations made by the Virginia Commissioners in House Document No.16, 2004, covering the period January 1, 2003, through December 31, 2003, and other initiatives, the following actions regarding uniform laws were taken by the 2004 Virginia General Assembly:

Uniform law related bills introduced by the 2004 General Assembly Session

Article 7 of Uniform Commercial Code

Senate Bill 119, Senator John C. Watkins - Passed unanimously by both houses and signed by the Governor. Updates provisions of Article 7 of the Uniform Commercial Code to acknowledge the development of electronic documents of title. Specific measures authorize the re-issuance of electronic document of title, and address the interaction of Title 7 with the Electronic Signatures in Global and National Commerce Act and the Uniform Electronic Transactions Act.

Uniform Securities Act

Senate Bill 564, Senator Walter A. Stosch - Carried over by prearrangement to General Assembly Session 2005. Under study by Virginia Bar Association Business Law Section and State Corporation Commission.

Uniform Trust Act

Senate Bill 506, Senator William C. Mims - Carried over by prearrangement to General Assembly Session 2005. Under study by Virginia Bar Association Will, Probate and Trust Section.

REPORT OF PROCEEDINGS OF THE 2004 ANNUAL CONFERENCE

The 2004 annual meeting was held July 30-August 6 in Portland, Oregon. Commissioners Dyke, French, Lamb, Kneedler, Miller and Ring attended.

The following uniform acts or amendments to uniform acts were approved at the annual meeting:

- Uniform Residential Mortgage Satisfaction Act
- Uniform Real Property Electronic Recording Act
- Uniform Wage Withholding and Unemployment Insurance Procedures Act
- Model Entity Transactions Act

- Amendments to the Uniform Trust Code
- Amendments to the Uniform Money Services Act

In addition to the approved acts listed above, the following uniform acts were considered by the Conference at its annual meeting:

- Revision of Uniform Limited Liability Company Act
- Mortgagee Access to Rents from Income-Producing Property Act
- Revision of Uniform Management of Institutional Funds Act
- Revision of Uniform Durable Power of Attorney Act
- Agricultural and Agricultural Related Cooperatives Act
- Consumer Debt Counseling Act
- Uniform Certificate of Title Act

2004 ADOPTIONS BY ANNUAL CONFERENCE

SUMMARIES

Summaries of the acts adopted or amended by the Conference are as follows:

Uniform Residential Mortgage Satisfaction Act

The Uniform Residential Mortgage Satisfaction Act provides that a mortgagee must provide a statement of satisfaction that is recorded in the real property records when a mortgagor has paid off the mortgage. The mortgagor is also entitled to a payoff letter. In the event there is no timely response to a request for a statement of satisfaction (30 days after notice), the mortgagor may provide an affidavit through qualified intermediaries for the real property records in lieu of the statement of satisfaction.

Uniform Real Property Electronic Recording Act

The Uniform Real Property Electronic Recording Act equates electronic documents and signatures to original paper documents and manual signatures so that electronic documents pertaining to real estate transactions may be electronically recorded. The Act also establishes a state board to establish standards for electronic recording.

<u>Uniform Wage Withholding and Unemployment Insurance</u> Procedures Act

The Uniform Wage Withholding and Unemployment Insurances Procedures Act strives to provide a harmonized wage base for each state for computing withholding for income taxes and unemployment compensation taxes. It also provides for one set of reporting and payment requirements and dates for employers to meet.

Model Entity Transactions Act

The Model Entity Transactions Act provides procedures for mergers, conversions, interest exchanges and domestications of business and nonprofit entities, including partnerships, limited partnerships, limited liability companies and corporations. Cross entity transactions of these kinds are made more universally possible. The objective is to accomplish such a transaction with appropriate approvals without having to dissolve an entity and without extinguishing any obligations owed by preceding entities in the process.

2004 Amendments to the Uniform Trust Code

An assortment of technical amendments were made to the Uniform Trust Code, including optional provisions for notice to qualified beneficiaries and more specific procedures for termination or modification of an irrevocable trust.

2004 Amendments to the Uniform Money Services Act

Limited technical amendments were made to the Uniform Act in 2004.

RECOMMENDATIONS FOR ENACTMENT

The following uniform acts, which have been approved by the Conference, make significant contributions to important subjects. The Virginia commissioners recommend these acts for consideration and adoption by the 2005 General Assembly:

- The Uniform Trust Code
- 2001 Amendments to the Uniform Interstate Family Support Act

CURRENT DRAFTING PROJECTS

There are currently 15 ULC drafting committees working on new and revised uniform acts. In addition, 13 study committees are considering subjects for possible future drafting.

Current Drafting Committees

Drafting Committee on Agricultural and Agricultural Related Cooperatives Act. Since the last Conference effort in this area (Uniform Agricultural Cooperative Association Act of 1936), there has been a tremendous amount of development and use of this form of business entity, but with wide variation among the states. Initially, the committee will reexamine the use of this type of business form in light of nearly 70 years of legal development, the clear need for greater uniformity in interstate operations, and the growing use of cooperatives in providing value-added marketing approaches, among other issues.

<u>Act.</u> The UAGA was originally promulgated in 1968 and adopted in every state and the District of Columbia. The Act was revised in 1987 and subsequently adopted in 26 states. This new drafting committee will consider amendments to update and improve the UAGA, in light of changes in federal law and regulations and related developments. Uniformity among the states is important as there is substantial movement of donors around the country, and death can occur anywhere. Thus common standards for execution of a donor gift and its implementation are most necessary. Appropriate amendments to the Act may also assist in increasing availability of organ donations.

<u>Drafting Committee on Uniform Assignment of Rents Act.</u> This drafting committee will address the problem of mortgagee access to rent from income property. A uniform solution to this problem would serve to ease securitization, lower transaction costs, and make mortgages more available.

<u>Drafting Committee on Business Trust Act.</u> The business trust format - often used in mutual funds, ERISA pension funds, and various types of regulatory compliance trusts - is increasingly used as an alternative to a corporation. Although there are few business trusts compared to other types of business forms, trillions of dollars of assets are invested in this business format. The incompleteness of business trust statutes in most states and the absence of any applicable legislation in nearly one-third of the states make this a timely project.

<u>Drafting Committee on Certificate of Title Act.</u> Each year, close to 70 million motor vehicles and 17 million watercraft are titled in the United States. State law on the subject varies considerably. This drafting committee will examine major elements of certificate of title laws, including centralized records of titling and transfer; medium neutrality to facilitate electronic records; and state-to-state recognition of certificates of title.

<u>Ownership Act.</u> The UCIOA, first promulgated in 1982 and revised in 1994, is a comprehensive statute relating to condominiums, planned communities and cooperatives. This committee will consider a number of topics including owner access to budget and financial records of the association, judgments against an association, the establishment and funding of reserve accounts and other issues meant to improve the usefulness of the Act.

<u>Drafting Committee on Consumer Debt Counseling Act.</u> This committee will draft an act in the area of consumer credit counseling, and will address numerous issues such as whether to prohibit "for-profit" agencies from engaging in counseling, whether to draft licensing requirements for agencies or individual counselors, or both, and whether to require that certain information be disclosed to consumers.

Drafting Committee to Revise the Uniform Durable Power of Attorney Act. This committee is revising the Uniform Durable Power of Attorney Act, promulgated in 1969 and enacted in nearly every state, and parallel changes to the Uniform Probate Code. The drafting committee will update the Uniform Act and address new issues such as procedures for activating springing powers and fiduciary duties of agents.

<u>Transactions Act.</u> The META, promulgated by the Conference in 2004, governs mergers, conversions and other types of restructuring transactions among different forms of business entities, and also allows all types of business entities to change their home state. The META standby committee will continue its work and will consider drafting a supplemental chapter to META that will deal with the issue of "divisions," which is not currently addressed in the Act.

<u>Judgments Recognition Act.</u> This Act promulgated by the Conference in 1962, was meant to simplify international business by recognizing money judgments obtained in other nations in state courts. The drafting committee will amend the Act in light of the pending International Convention on Jurisdiction and Enforcement of Foreign Judgments to ensure the continued role of state law in this area.

<u>Drafting Committee to Amend the Uniform Limited Liability</u> <u>Company Act.</u> The ULLCA was promulgated in 1995 and amended in 1996. Although it has been enacted in only nine states, virtually all states have enacted some sort of LLC legislation, and LLCs are now a firmly entrenched

business entity. The committee will seek a relationship with the appropriate committees in the ABA Business Law Section, which are also reconsidering LLC law, and the Joint Editorial Board for Uniform Unincorporated Nonprofit Organization Acts.

Drafting Committee to Revise the Uniform Management of Institutional Funds Act. This committee will revise the 1972 UMIFA, which provides guidelines for management, investment and expenditures of the endowment funds of institutions. A revision is necessary to make the act more consistent with the Uniform Prudent Investor Act, the Uniform Principal and Income Act, and the Uniform Trust Code, and to address recent case law development.

<u>Drafting Committee on Standards for the Protection of Children from International Abduction.</u> This committee will draft a state law on standards for the protection of children from international abduction. The committee will consider the issue of what the parties must do to inform a court of their concerns that a child is at risk to be abducted and removed from the United States, and to present to the court possible methods to prevent such actions from occurring. There will be a strong emphasis on due process for all parties.

<u>Drafting Committee on Role of Attorneys Representing Children in Custody Disputes Act.</u> This committee will draft an act on the role of attorneys representing children in custody disputes, and will consider representation in the full spectrum of custody cases, including: child abuse; dependency and neglect; and termination cases.

<u>Procedures Act.</u> This committee will revise the 1980 Model State Administrative Procedures Act, which provided procedures for promulgating and for adjudicating disputes before administrative bodies. A revision is necessary to update the act to recognize electronic communications and other state procedural innovations since the act was originally promulgated.

Study Committees

Study Committee on Administrative Procedures for Interstate Compact Entities

Study Committee on Collateral Sanctions in Criminal Sentencing

Study Committee on Uniform Conflict of Laws-Limitations Act

Study Committee on E-Government

Study Committee on Electronic Discovery

Study Committee on Electronic Payments Systems

Study Committee on Amendments to the Uniform Guardianship and Protective Proceedings Act

Study Committee on Internet Private Law

Study Committee on Interstate Depositions

Study Committee on Misuse of Genetic Information

Study Committee on an Omnibus Business Organization Code

Study Committee on Public Health Emergency Response Authority

Study Committee on Regulation of Charities

REQUEST FOR TOPICS APPROPRIATE FOR CONSIDERATION AS UNIFORM ACTS

The Virginia Commissioners welcome suggestions from the Governor, the General Assembly, the Attorney General, the organized bar, state governmental entities, private interest groups and private citizens on ideas for new uniform or model acts. Appropriate topics are those where (i) uniformity in the law among the states will produce significant benefits to the public and (ii) it is anticipated that a majority of the states would adopt such an act.

Respectfully submitted,

Carlyle C. Ring, Jr., Chairman Brockenbrough Lamb, Jr. H. Lane Kneedler Ellen F. Dyke Thomas Edmonds E. M. Miller, Jr. Jessica D. French