Department of Planning and Budget
2015 Fiscal Impact Statement

1. **Bill Number:** HB2306

House of Origin	☒ Introduced	☐ Substitute	☐ Engrossed
Second House	☐ In Committee	☐ Substitute	☐ Enrolled

2. **Patron:** Filler-Corn

3. **Committee:** Education

4. **Title:** Achieving a Better Life Experience (ABLE) savings trust accounts established.

5. **Summary:** Establishes ABLE savings trust accounts to be administered by the Virginia College Savings Plan to facilitate the saving of private funds for paying the qualified disability expenses of certain disabled individuals. Under the federal Achieving a Better Life Experience Act of 2014, Congress authorized states to establish ABLE savings trust accounts to assist individuals and families in saving for education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, and other expenses of individuals who were disabled or blind prior to the age of 26. The College Savings Plan will be the designated state agency administering ABLE savings trust accounts. Earnings on contributions to ABLE savings accounts are exempt from federal income tax.

6. **Budget Amendment Necessary**: Yes

7. **Fiscal Impact Estimates:** Fiscal impact estimates are preliminary. See Item 8.

7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2015	0	0	
2016	$4,953,690	13	NGF
2017	$3,412,698	17	NGF
2018	$3,412,698	17	NGF
2019	$3,412,698	17	NGF
2020	$3,412,698	17	NGF
2021	$3,412,698	17	NGF

7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2015		
2016		
2017	($8,625,000)	GF
2018	($20,096,250)	GF
2019	($34,500,000)	GF
2020	($34,500,000)	GF
2021	($34,500,000)	GF

8. **Fiscal Implications:** The federal Achieving a Better Life Experience (ABLE) Act of 2014 allows savings accounts for individuals with disabilities with federal tax advantages similar to those of Section 529 college savings plans. The bill provides authority for the Virginia College Savings Plan (VA529) to administer ABLE savings accounts and allows a tax deduction of up to $4,000 each year for contributions into such plans, which is equal to that allowed for other college savings programs.

   Virginia College Savings Plan:
   VA529 currently offers a number of college savings programs and can incorporate ABLE savings accounts into its existing organizational structure at an estimated first year cost of approximately $5.0 million and ongoing costs of $3.4 million, which includes 13 additional staff the first year and 17 thereafter. Estimates are based on Virginia529's previous development and implementation of its four college savings programs. Actual costs will also depend on requirements yet to be established in federal regulations, which will be promulgated later in 2015 by the U.S. Treasury. Cost estimates are conservative due to the uncertainty of these regulations.

   Implementation costs include technological investments needed to meet database and reporting requirements of ABLE that differ from existing college savings plan requirements. VA529 will establish a new platform, database, storage and data reporting mechanisms required to manage the program. In addition to the cost of IT equipment and software for this purpose, Virginia529 anticipates additional IT staff will be needed to develop and support the new platform. First year IT costs are estimated at $2.5 million, with ongoing costs of $1.2 million thereafter, which includes eight positions each year. Additional finance and customer service personnel are also expected to be needed to support the ABLE program, estimated at $497,322 the first year for five positions and $854,254 for nine. Banking, custodian, and other fiscal and professional services will also be needed to administer the savings accounts, estimated at $894,250 the first year and $306,500 thereafter. Disclosure and other communication materials will need to be developed and VA529 will communicate and market the program to eligible families and beneficiaries throughout Virginia. Marketing and communications costs are expected to be $850,000 the first year and $1.0 million thereafter.

   VA529 has sufficient existing nongeneral fund revenue to cover the anticipated costs. This revenue is generated from fees assessed on Virginia529 college savings accounts and assets. As with its other programs, VA529 intends to assess fees to defray as much of the program costs as possible. Particularly in the early years of implementation, costs are anticipated to exceed revenues from ABLE and will be covered by available revenue from its college savings programs. VA529 expects to assess a fee per account based on assets under management similar to the fees charged on existing direct sold Virginia529 accounts, although the structure of the product will control how fees are assessed. The amount of revenue ultimately depends on the number of accounts, contributions to the accounts and account growth.

Virginia529 estimates that once implemented, a large number of ABLE Program accounts will be opened in the first year with a corresponding reduction in annual increases in subsequent years. Based on growth and deposit assumptions approximating the initial historical growth in Virginia529's savings programs and the estimated number of disabled individuals in Virginia who would qualify for ABLE accounts, estimates of accounts and associated revenue are shown below. These figures are conservative and are based on available data of the number of disabled Virginians over the age of 16 at or above 150 percent of the federal poverty level. Aggregate accounts are capped at 100,000 accounts based on these population estimates based on the assumption that a similar proportion of the relevant Virginia disabled population will ultimately hold accounts as do current Virginia 529 account holders. An annual contribution of $6,000 per account is assumed based on the average annual deposits made in other existing VA529 savings programs. VA529 revenue assumes a fee of 15 basis points on account holdings, which is equal to that currently assessed for its inVEST direct-sold savings accounts.

ABLE Savings Account Estimates

Year	Number of New Accounts	Aggregate Accounts	Annual Deposit Amount	Total Assets Under Management	VA529 Revenue
2016	25,000	25,000	$150,000,000	$150,000,000	$225,000
2017	33,250	58,250	$349,500,000	$509,625,000	$764,438
2018	41,750	100,000	$600,000,000	$1,144,024,688	$1,716,037
2019	0	100,000	$600,000,000	$1,821,246,354	$2,731,870
2020	0	100,000	$600,000,000	$2,544,180,483	$3,816,271
2021	0	100,000	$600,000,000	$3,315,912,665	$4,973,869

Department of Taxation:
The tax deduction provided for in this bill would result in a loss to the general fund beginning in FY 2017. Such impact depends on the number of ABLE accounts in Virginia, as well as the amount contributed to such accounts. Based on VA529's estimate of ABLE savings accounts and annual contributions of $6,000 per account, the Department of Taxation ("the Department") estimates the following reduction to general fund revenue:

Year	Number of New Accounts	Aggregate Accounts	Annual Deposit Amount	Total Assets Under Management	General Fund Revenue Impact
2016	25,000	25,000	$150,000,000	$150,000,000	
2017	33,250	58,250	$349,500,000	$509,625,000	($8,625,000)
2018	41,750	100,000	$600,000,000	$1,144,024,688	($20,096,250)
2019	0	100,000	$600,000,000	$1,821,246,354	($34,500,000)
2020	0	100,000	$600,000,000	$2,544,180,483	($34,500,000)
2021	0	100,000	$600,000,000	$3,315,912,665	($34,500,000)

The Department of Taxation has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to its systems and forms. As stand-alone legislation, the Department considers implementation of this bill as routine and does not require additional funding. The Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

9. **Specific Agency or Political Subdivisions Affected:** Virginia College Savings Plan, Department of Taxation

10. **Technical Amendment Necessary:** No

11. **Other Comments:** HB2306 is identical to SB1404.

Date: 1/30/2015
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