

## Department of Planning and Budget 2011 Fiscal Impact Statement

**1. Bill Number:** SB1473

House of Origin	Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Lucas

**3. Committee:** Finance Committee

**4. Title:** Job Retraining Account Program.

**5. Summary:** The bill creates a Job Retraining Account Program within the Department of Business Assistance (DBA). The Department would develop the rules and regulations to administer the program. The bill further allows individuals to establish a trust or savings account to be used for job retraining expenses; such accounts will be administered by the Department, but its owner and beneficiary shall be the individual. Employers making matching contributions to the individual's account will be eligible for tax exemptions.

The substitute bill provides for an effective date after reenactment by the 2012 Session of the General Assembly.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate. See Item 8.

**8. Fiscal Implications:** According to the Department of Business Assistance (DBA), the passage of this bill would require a significant amount of human resources in FY 2013.

The initial start up costs of the program in the next biennium would necessitate approximately 7-8 full time employees (FTEs), a figure which could increase to 60+ in a number of years as the program gains increased interest and the total trust or savings accounts created expands in number and size. DBA used a starting baseline of \$70,000 in salary and benefit expenses and an average of 80,000 accounts to approximate general fund personnel costs of between \$490,000 at start up and \$4,200,000 over a span of 7 years, with the assumption that full implementation of the program would be achieved with a staffing level of 60 FTEs. It is important to also consider start-up lag time for applicants which could further delay full implementation costs.

The bill does not contain any specifications related to the monies deposited into the account, for example annual or lifetime limits, investment options, reimbursement methods, etc. It is unclear if third-party investors or trustees might be used.

There will be other currently indeterminate expenses related to the administration of the accounts, including but not limited to the accounting and auditing, disbursements for reimbursements, technical requirements and legal compliance. Another significant expense factor will be the need for additional work space to accommodate the human resource staff.

The bill further allows employers making matching contributions to individual's accounts to be eligible for a tax exemption. Per the Department of Taxation, this would result in an unknown General Fund revenue loss, depending on how many individuals set up accounts and how many employers contribute to them. However, it is important to note that not every contribution will be eligible for the deduction, since both the individual and employer deductions are allowable only to the extent included in federal taxable income.

The Department of Taxation does not foresee any need for additional funding as implementation of this bill from their standpoint would be routine.

**9. Specific Agency or Political Subdivisions Affected:** Department of Business Assistance, Department of Taxation

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None

**Date:** 2/10/2011