Department of Planning and Budget
2015 Fiscal Impact Statement

1. **Bill Number:** HB2306-ER

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

2. **Patron:** Filler-Corn

3. **Committee:** Passed Both Houses

4. **Title:** Achieving a Better Life Experience (ABLE) savings trust accounts established; administered by the Virginia College Savings Plan.

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 final. 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

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.

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 VA529's previous experience developing and implementing its four existing college savings programs. Actual costs will depend on requirements yet to be established in federal regulations, which will be promulgated later in 2015 by the U.S. Treasury as well as the number of ABLE accounts established by individuals. Cost estimates are conservative due to the uncertainty of these regulations and the number of accountholders.

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 positions thereafter. 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 VA529 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 other college savings programs. VA529 expects to assess a fee per account based on assets under management for ABLE accounts, similar to the fees charged on existing direct sold Virginia529 accounts; however, 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 may be opened in the first year with a corresponding reduction in annual increases in subsequent years based on the initial historical growth of Virginia529's existing savings programs. However, account contributions for existing savings programs qualify for deduction from state income tax, which the bill does not provide for ABLE accounts. Therefore, demand for ABLE accounts may be less than VA529's other savings programs.

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 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. The aggregate number of accounts is capped at 100,000 based on these population estimates and an assumption that a similar proportion of the relevant Virginia disabled population will ultimately hold accounts as do current Virginia529 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's exclusion from the state tax benefits provided to other college savings accounts may reduce account demand in comparison to VA529's other savings accounts, on which these estimates are based.

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

The enrolled version of the bill provides that existing state income tax deductions for college savings plans shall only apply to prepaid tuition contracts or college savings trust accounts, which do not include ABLE accounts.

The bill will also allow state tax treatment of interest income from ABLE accounts to conform with federal taxable income, which does not include ABLE interest earnings. This is consistent with the official general fund revenue forecast, which assumes conformity to the federal income tax treatment of earnings on ABLE accounts. Therefore, no general fund revenue impact is expected.

The Department of Taxation considers implementation of this bill routine and does not require additional funding.

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

10. **Technical Amendment Necessary:** No

11. **Other Comments:** This bill is a companion to SB1404.

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