

Fiscal Estimate Narratives
DFI 2/21/2020

LRB Number 19-3165/1	Introduction Number AB-0912	Estimate Type Original
Description requiring the Department of Financial Institutions to implement a section 529A ABLÉ savings account program and granting rule-making authority		

Assumptions Used in Arriving at Fiscal Estimate

AB-912 Write-up

Background

Section 529A of the federal Internal Revenue Code allows states to establish qualified ABLÉ programs. ABLÉ programs enable individuals to contribute to accounts for the purpose of paying beneficiaries' qualified disability expenses; subject to some limitations, distributions taken for those purposes are not counted toward the beneficiaries' gross income for federal and state tax purposes.

Several states have formed ABLÉ programs, either individually or as part of a group of states that pool resources. The Ohio STABLE program (with a dozen participating states) and the National ABLÉ Alliance (with 17) are the nation's largest, together comprising almost half of the nation's approximately 40,000 ABLÉ accounts. Most individual state ABLÉ programs have between 200 and 2,000 accounts, with an average account size of \$5,000 to \$6,000. An ABLÉ program is generally open to residents of any state, regardless of which state is primarily responsible for its administration.

Wisconsin has not formed its own ABLÉ program, though it has granted state-tax benefits to residents who participate in a program administered by another state. While the tax benefits for Wisconsin residents remain the same regardless of which state's ABLÉ program they choose, some programs require non-residents to pay higher administrative fees. For example, the Ohio program charges in-state account holders a monthly fee of \$2.50 and an asset-based fee of 0.19% to 0.33% for administrative costs; for out-of-state residents, the monthly fee is a dollar more and the asset-based fee is 0.26% higher.

AB 912

Assembly Bill 912 would require the Department of Financial Institutions to implement and administer a Wisconsin ABLÉ program, either individually or in partnership with other states. Due to the relatively modest numbers of accounts and balances, administrative fees charged to account holders would be insufficient to cover the costs of program administration; some public subsidization will be required. To evaluate the cost of such a program, DFI consulted available materials and regulators involved in administering ABLÉ programs in neighboring states. It estimates the following costs, which would be the same regardless of whether Wisconsin starts its own ABLÉ program or joins an existing consortium of states:

- Two FTE positions tasked with a host of responsibilities, including vendor oversight; oversight of investment options and disclosures to participants; promoting the program and educating Wisconsinites about its benefits, including website and information management; helping participants navigate federal and state law concerning taxes and eligible benefits; drafting legal and regulatory guidance for beneficiaries and contributors; coordinating with out-of-state regulators on joint efforts to increase ABLÉ account awareness and use; and coordinating with taxing authorities to ensure consistency and minimize complications for participants. DFI estimates that the salary and fringe benefit costs of this additional staff would total \$200,141.76 annually, comprised of \$72,800 in salary and \$27,270.88 in fringe benefits for each staff member.
- An additional \$200,000 annually to cover a number of out-of-pocket program expenses, including marketing materials, webpage creation and upkeep, in-state travel to promote the program to interested groups and

financial advisors, out-of-state travel to conduct vendor oversight and meet with out-of-state regulators, and as-needed outside legal and financial consulting to protect participants and ensure compliance with applicable tax and securities laws.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description requiring the Department of Financial Institutions to implement a section 529A ABLE savings account program and granting rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$200,142	\$
(FTE Position Changes)		(2.0 FTE)	
State Operations - Other Costs		200,000	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$400,142	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS (20.144(1)(g))		400,142	
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$400,142	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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