

Fiscal Estimate - 2019 Session

☒ Original

Updated

 Corrected

Supplemental

LRB Number 19-5380/1		Introduction Number SB-776	
Description requiring the Department of Financial Institutions to implement a section 529A ABLE savings account program and granting rule-making authority			
Fiscal Effect State: <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 30%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 30%;"> 5. Types of Local Government Units Affected <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 30%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 30%;"> <input type="checkbox"/> Cities </div> </div> </div> </div>			
Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.144(1)(g)		Affected Ch. 20 Appropriations	
Agency/Prepared By DFI/ Kortney Anderson (608) 261-9559		Authorized Signature Kortney Anderson (608) 261-9559	
		Date 2/13/2020	

Fiscal Estimate Narratives

DFI 2/13/2020

LRB Number	19-5380/1	Introduction Number	SB-776	Estimate Type	Original
Description requiring the Department of Financial Institutions to implement a section 529A ABLE savings account program and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

Background

Section 529A of the federal Internal Revenue Code allows states to establish qualified ABLE programs. ABLE 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 ABLE 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 ABLE Alliance (with 17) are the nation's largest, together comprising almost half of the nation's approximately 40,000 ABLE accounts. Most individual state ABLE programs have between 200 and 2,000 accounts, with an average account size of \$5,000 to \$6,000. An ABLE 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 ABLE 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 ABLE 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.

SB 776

Senate Bill 776 would require the Department of Financial Institutions to implement and administer a Wisconsin ABLE 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 ABLE programs in neighboring states. It estimates the following costs, which would be the same regardless of whether Wisconsin starts its own ABLE 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 ABLE 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

LRB Number 19-5380/1	Introduction Number SB-776	
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		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$400,142	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
DFI/ Kortney Anderson (608) 261-9559		Kortney Anderson (608) 261-9559
		2/13/2020