

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: Senate Bill 367 (First Edition)

SHORT TITLE: Achieving A Better Life Experience Act.

SPONSOR(S): Senators Barringer, Hise, and Apodaca

| FISCAL IMPACT | | | | | |
|--|---|-----------------------------|--|--------------------|--------------------|
| | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> No Estimate Available | | |
| | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| State Impact | | | | | |
| General Fund Revenues: | | | | | |
| General Fund Expenditures: | (\$635,941) | (\$237,952) | (\$240,213) | (\$242,279) | (\$243,828) |
| Special Fund Revenues: | | | | | |
| Special Fund Expenditures: | | | | | |
| State Positions: | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| NET STATE IMPACT | (\$635,941) | (\$237,952) | (\$240,213) | (\$242,279) | (\$243,828) |
| Local Impact | | | | | |
| Revenues: | | | | | |
| Expenditures: | | | | | |
| NET LOCAL IMPACT | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Dept of Revenue, State Education Assistance Authority | | | | | |
| EFFECTIVE DATE: Effective when law. | | | | | |
| TECHNICAL CONSIDERATIONS: | | | | | |
| None | | | | | |

BILL SUMMARY:

S367. ACHIEVING A BETTER LIFE EXPERIENCE ACT. (March 23, 2015)

AN ACT TO ENACT THE ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT.

Enacts new GS 116-209.25A establishing the Achieving a Better Life Experience (ABLE) Trust Fund to be administered by the State Education Assistance Authority (SEAA) in order to enable contributors to save money to meet the costs of qualified disability expenses of eligible individuals. Defines an eligible individual as an individual who, for a taxable year, either: (1) is entitled to benefits based on blindness or disability under Title II or XVI of the Social Security Act, and the blindness or disability is a preexisting condition that occurred before the date on

which the individual turned 26 years old or (2) has a disability certification filed with the US Secretary of the Treasury for the taxable year.

Sets parameters for establishing, contributing to, and designating beneficiaries of an ABLE account. Sets maximum contribution limits in accord with federal law establishing ABLE savings accounts. Authorizes SEAA to accept, hold, invest, and disburse contributions and interest earned on such contributions. Allows SEAA to deposit all or any portion of the ABLE Trust Fund for investment either with the State Treasurer or in the individual, common, or collective trust funds of an investment manager or managers that meet the specified requirements.

Requires SEAA to develop and perform all functions necessary to (1) administer the ABLE Trust Fund in a way that complies with the requirements of the Achieving a Better Life Experience Program as provided under the Tax Increase Prevention Act of 2014 and federal regulations under the act and (2) provide other services necessary to facilitate participation in the ABLE Trust Fund. Also allows SEAA to obtain the services of investment advisors or program managers and to set application, account, and administration fees for the program.

Exempts assets of and distributions for qualified disability expenses from an ABLE account from consideration in determining whether a designated beneficiary's financial circumstances meet the eligibility requirements of other State assistance programs.

Effective when the act becomes law. Requires the Authority to begin accepting contributions when the State Treasurer notifies the Authority that federal regulations regarding the Achieving a Better Life Experience Program have been issued and provide the guidance necessary to implement the Trust Fund.

ASSUMPTIONS AND METHODOLOGY:

This bill tasks SEAA with administration of the ABLE savings plans, which are authorized through Section 529 of the Internal Revenue Code. SEAA currently administers the North Carolina College Savings and Investment Program, which is also authorized under Section 529 of the IRC. SEAA contracts with the College Foundation, Inc. (CFI) to administer that program, which allows for savings for qualified higher education expenses.

However, the ABLE plans allow savings for qualified disability expenses, which include education as only one of a number of eligible expenses along with housing, employment training and support, transportation, health, legal fees, and funeral and burial expenses, among others. Due to these differences from the NC College Savings and Investment Program which SEAA currently manages, SEAA reports that it would not be able to incorporate ABLE savings accounts into its existing infrastructure. Rather, SEAA indicates that it would need to contract administration of the plan out to a financial services institution, with the goal of establishing a program that would eventually be self-supporting based on fees assessed on accounts.

Contracting for third-party administration of this type would require SEAA to publish a request for proposals, evaluate proposals and contract with a program manager, and develop regulations for

the program. In addition to these one-time costs, there would be ongoing costs for reporting and maintaining the partnership with the third-party financial services entity as well as potential ongoing costs for marketing and administration. SEAA estimates requiring two full-time equivalent positions at the program manager and program assistant level at a cost of \$135,146 total salary and benefits to fulfill these responsibilities. Additionally, SEAA estimates \$500,000 for the cost of legal services, marketing, and other start-up costs in year one along with ongoing marketing and administration costs of \$100,000 annually in subsequent years. Based on these estimates, this fiscal note shows total General Fund expenditures of approximately \$636,000 in Fiscal Year 2015-16 and approximately \$240,000 each year in subsequent years. The salary and benefit cost estimates were adjusted for inflation while marketing and administration cost estimates were held constant.

SOURCES OF DATA: SEAA

TECHNICAL CONSIDERATIONS: None

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