



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 879

PRINTERS NO. 1618

PRIME SPONSOR: Baker

COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	\$0	\$1,500,000

SUMMARY: Senate Bill 879, printer's number 1618, provides for the establishment of a savings program by the Treasury Department to encourage savings accounts for eligible individuals with disabilities to save private funds for the payment of qualified disability expenses. The bill also establishes the ABLE Savings Program Fund and imposes duties on the Treasury Department. The effective date is immediately upon enactment.

ANALYSIS: The bill provides for the Pennsylvania ABLE (Achieving a Better Life Experience) Act to provide the Treasury Department with the authority to establish and maintain a qualified ABLE program to fund qualified disability expenses, including but not limited to education, housing, transportation, employment training and support, assistive technology and personal support services, financial management fees, legal fees, funeral and burial expenses and other expenses approved by the Secretary of the Treasury of the United States. In December 2014, the federal government authorized states to create ABLE accounts, to allow individuals with disabilities to save up to \$100,000 without risking eligibility for Social Security and other government programs. To be eligible for an ABLE account an individual must be entitled to Social Security benefits based on blindness or disability that occurred before the individual reached age 26. ABLE accounts are modeled after 529 college savings plans.

Each state must enact regulations to establish and administer the ABLE Act program within the state. The bill provides the Treasury Department with the authority to develop and administer the qualified ABLE program in accordance with IRC § 529A in a manner that allows account owners and designated beneficiaries to obtain and maintain Federal income tax benefits provided by the Internal Revenue Code. Treasury may utilize the administrative or investment structures of the Tuition Account Investment Program (i.e. PA 529 College Saving Plan Program) without separately soliciting proposals for assistance in the management of all or part of the program. Treasury may engage the services of consultants on a contract basis for rendering professional and technical assistance to set up the ABLE account program and may enter into management contracts with a legal entity to oversee the ABLE accounts. Treasury shall enforce the account limitation and regulate accounts as required in IRC § 529A.

The Treasury Department may contract with other states to provide all or part of the ABLE Savings Program to beneficiaries residing in the Commonwealth, or Treasury may contract to provide all or part of the program to beneficiaries residing in another state. Treasury shall engage in joint efforts with other states to establish and maintain ABLE savings programs.

Treasury may establish a special fund to be known as the ABLE Savings Program Fund for contributions made to ABLE accounts, fees and charges to cover costs of administering the program, and any other public or private money appropriated or made available to the department for the fund. Moneys in the Fund shall be invested under policies established by Treasury to provide for an appropriate balance of risk, liquidity and return commensurate with the management of a prudent investor. All money in the fund is appropriated to the department on a continuing basis to carry out the provisions of the act. The assets of the fund shall be preserved, invested and expended solely to and for the purposes of the Pennsylvania ABLE Act.

Powers and duties of the Treasury Department are outlined in the bill. Treasury is required to prepare and submit through the Governor an annual budget covering the operating and administrative expenses of the program. The General Assembly shall approve the budget in an appropriation bill outlining expenses to be paid from fees and charges from program participants as well as other available funds.

ABLE Accounts may be opened through a contract entered into by an account owner, including a fiduciary, and the Treasury Department. The bill provides for qualified withdrawals from ABLE accounts. Procedures related to nonqualified withdrawals are also outlined.

An ABLE Account shall not be subject to attachment, levy or execution by any creditor of a contributor, account owner or designated beneficiary and shall not be used as security for a loan. Amounts contributed to an account, increases in the value of the account, and qualified withdrawals from the account shall not be used in calculating personal assets of a designated beneficiary or an account owner in order to determine eligibility for disability, medical assistance, or other health benefits, conferred by the Commonwealth, or for determining eligibility and need for student loans or grants.

The property of the program and the earnings from the program shall be exempt from all taxation by the Commonwealth and its political subdivisions. Contributions made to an ABLE account, any increase in the value of those contributions, the retention or transfer during life or as a result of death of any legal interest in an account, and payment of qualified disability expenses of eligible individuals from an account shall be exempt from all taxation by the Commonwealth and its political subdivisions.

The bill specifies that any obligation or debt under the act shall not be deemed an obligation or debt of the Commonwealth, nor shall the Commonwealth be liable to pay principal and interest on obligations or to offset any loss of principal and interest earnings on investments made by the Treasury Department under the act.

FISCAL IMPACT: The enactment of this bill is anticipated to result in one-time costs to the Commonwealth of \$1,500,000 to provide the Treasury Department with funds to establish the ABLE Program account structure and develop operating procedures and reporting mechanisms

for the program. The one-time funds will also provide for advertising costs to make qualified individuals and their families aware of the program. Once ABLE accounts are established it is anticipated that ongoing administrative and operating expenses will be covered from management fees assessed on ABLE program account owners.

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House Appropriations Committee (R)

DATE: April 5, 2016

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.