

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 188
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB188-DOR-TRS-4-6-16
Title: PERSON W/DISABILITY SAVINGS ACCOUNTS
Sponsor: SADDLER
Requester: Labor and Commerce, Finance

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2017 Appropriation Requested | Included in Governor's FY2017 Request | Out-Year Cost Estimates | | | | | |
|-------------------------------|--------------------------------------|--|-------------------------|-------------|------------|------------|------------|------------|
| | | | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | | | | | | | | |
| Travel | | | | | | | | |
| Services | | | 60.0 | 40.0 | | | | |
| Commodities | | | | | | | | |
| Capital Outlay | | | | | | | | |
| Grants & Benefits | | | | | | | | |
| Miscellaneous | | | | | | | | |
| Total Operating | 0.0 | 0.0 | 60.0 | 40.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Fund Source (Operating Only)

| | | | | | | | | |
|--------------|------------|------------|-------------|-------------|------------|------------|------------|------------|
| 1092 MHTAAR | | | 60.0 | 40.0 | | | | |
| Total | 0.0 | 0.0 | 60.0 | 40.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | | |
|-----------|--|--|--|--|--|--|--|--|
| Full-time | | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |

| | | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|--|
| Change in Revenues | | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

| | |
|--|----------------------------------|
| Prepared By: <u>Pamela Leary</u> | Phone: <u>(907)465-3751</u> |
| Division: <u>Treasury</u> | Date: <u>04/06/2016 12:00 AM</u> |
| Approved By: <u>Jerry Burnett, Deputy Commissioner</u> | Date: <u>04/06/16</u> |
| Agency: <u>Revenue</u> | |

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. CSHB188(FIN)

Analysis

This bill would authorize the Alaska savings program for eligible disabled individuals and allow the Department of Revenue to implement and administer the program. Federal legislation was passed in 2014 and revised in 2015. 35 states have approved legislation and are in the process of implementing a program. Some states are creating their own system and others are participating in a consortium to create greater cost efficiencies to pass on to state participants. Two of the states creating their own program have offered to host other states' programs for a fee.

All programs will use a vendor that would provide some or all of the following services:

- Investment Management Services including providing investment options, reporting of investment performance, and regulatory compliance.
- Record Keeping and Administrative Services including establishing eligibility for individuals, enrollment, managing cash flow contributions and distributions, providing account statements, coordination with investment management services and website access.
- Call Center/Customer Service to respond to inquiries including account openings and withdrawals and any federal or state specific questions in a manner accessible to participant needs.

The creation of ABLE programs is at its infancy and costs are not yet fully known. States implementing programs on their own have presented cost ranges in the \$2-\$4 million range. 1 State that has created its own program has offered its program to other states for a one-time installment fee of \$50,000 and an annual maintenance fee of \$12,000 but not all services appear to be included. The consortium of states is working on an RFP but costs have not yet been determined. This fiscal note presumes that Alaska would utilize the program of another state or the consortium of states' vendor to provide all of the above services. The estimated cost for FY2017 and FY2018 include startup costs with a vendor and a program awareness effort. Participants that have program accounts will also pay a fee which will be based on the value of the account. It is unknown at this time what those will be but it is imagined that they will be similar to what you pay for a managed investment account and an assumption that these fees will cover ongoing program costs.