

BUDGET REPORT AND MEASURE SUMMARY

CARRIER: Sen. Gelser

**Joint Committee On Ways and Means**

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**Action:** Do Pass With Amendments To The B-Eng Bill. (Printed C-Eng.)

**Action Date:** 06/16/15

**Vote:**

**Senate**

**Yeas:** 11 - Burdick, Devlin, Hansell, Johnson, Monroe, Roblan, Shields, Steiner Hayward, Thomsen, Whitsett, Winters

**Exc:** 1 - Girod

**House**

**Yeas:** 11 - Buckley, Gomberg, Huffman, Komp, McLane, Nathanson, Rayfield, Read, Smith, Whisnant, Williamson

**Nays:** 1 - Whitsett

**Prepared By:** Lyndon Troseth, Department of Administrative Services

**Reviewed By:** John Borden, Legislative Fiscal Office

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**Agency:** Oregon State Treasury

**Biennium:** 2015-17

**Budget Summary\***

	2013-15 Legislatively Approved Budget <sup>(1)</sup>	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
General Fund Limited	\$ -	\$ -	\$ 664,743	\$ 664,743	0.0%
Total	\$ -	\$ -	\$ 664,743	\$ 664,743	0.0%

**Position Summary**

Authorized Positions	0	0	2	2	
Full-time Equivalent (FTE) positions	0.00	0.00	0.75	0.75	

<sup>(1)</sup> Includes adjustments through December 2014

\* Excludes Capital Construction expenditures

**Revenue Summary**

Senate Bill 777 creates the Achieving a Better Life Experience Act (ABLE) program. Contributions and distributions are tax deductible under state law; however, the plan limits the tax exempt contributions to those made before the beneficiary of the account attains 21 years of age. Pre-tax contributions by individuals will be deposited directly into individual accounts held in trust by private third party investment administrator(s). The ABLE plan may accept deposits from out-of-state residents. There will be a federal tax benefit on the earnings and withdrawals from the account, if used for qualified expenses. The measure provides for the taxation of distributions that are not for qualified disability expenses.

The measure’s General Fund revenue impact (loss) is estimated to be \$180,000 for the 2015-17 biennium and \$510,000 for the 2017-19 biennium. The measure is operative for the 2016 tax year.

The measure renames the existing Oregon 529 College Savings Network Fund to the Oregon 529 Savings Network Fund. The fund would have two interest-bearing subaccounts: Oregon 529 College Savings Plan Subaccount and the Oregon 529 ABLE Subaccount. All existing monies in the original Oregon 529 College Savings Network Fund are to be transferred to the Oregon 529 College Savings Plan Subaccount by January 1, 2016.

Application, account, or administrative fees, and other sources of funding, if available, to fund the administrative operation of the ABLE program will come from a portion of private third party investment administrator charges on individual accounts and will be transferred to the Oregon 529 ABLE Subaccount.

Fee revenue is anticipated to begin during the 2017-19 biennium and after the 529 Savings Board establishes fee amounts.

The funds to initially support the implementation of the ABLE Program are from a General Fund appropriation. The measure stipulates that the General Fund appropriation is to be repaid with future administrative fees from the Oregon 529 ABLE Subaccount.

### **Summary of General Government Subcommittee Action**

The Subcommittee approved a \$664,743 General Fund appropriation to the Oregon State Treasury (OST) and the establishment of one permanent, full-time Operations and Policy Analyst 4 (0.50 FTE) and one permanent full-time Program Analyst 1 (0.25 FTE) for the ABLE program. The measure is effective on the 91st day after adjournment.

The ABLE Act became federal law in December 2014. The Act permits the creation of tax-free, state-based savings accounts to pay for disability-related expenses. The federal Act is meant to supplement, but not supplant, benefits provided through private insurances, the Medicaid program, the supplemental security income program, the beneficiary's employment, and other sources.

The Oregon State Treasury (OST), by administrative rule, is to establish a qualified state ABLE program. The measure also forms a single state 529 program by merging the existing Oregon 529 College Savings Network program with the ABLE program. The program is to be established no later than January 1, 2017.

The measure changes the name of the Oregon 529 College Savings Board to the Oregon 529 Savings Board. The measure adds a representative of persons with disabilities to the Board to be appointed by the Treasurer and removes the requirement that a representative of the State Board of Higher Education serve on the Board. The measure also removes the requirement that the Oregon University System provide administrative staff to the Board.

Expenses qualify as disability-related if they are for the benefit of an individual with a disability and are related to the disability (including education, housing, transportation, employment support, health, prevention, and wellness costs, assistive technology and personal support services, and other expenses). An ABLE account holder's balance is not to be used for means testing for state disability programs.

OST would expend \$171,798 for Personal Services, \$42,945 for associated Services and Supplies, \$350,000 for Professional Services for the program's development and outreach activities, and \$100,000 for Attorney General expenses. The one-time costs of the program are estimated to be \$250,000 Professional Services expenses and \$50,000 Attorney General costs.

The estimated administrative cost of operating the program in the 2017-19 biennium is \$662,524 (2.00 FTE). This is assumed to be a continued General Fund obligation, either partially or fully, unless sufficient fee revenue is received to pay all expenses.

The Department of Revenue is expected to have a minimal fiscal impact to administer the tax exempt provisions of the measure.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**SB 777-C**

Oregon State Treasurer  
Lyndon Troseth -- (503) 378-3105

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATION</u>									
<b>SCR 002 - Oregon 529 Savings Network</b>									
Personal Services	\$ 171,798	\$ -	\$ -	\$ -	\$ -	\$ -	171,798	2	0.75
Services and Supplies	\$ 492,945	\$ -	\$ -	\$ -	\$ -	\$ -	492,945		
<b>TOTAL SUBCOMMITTEE RECOMMENDATION</b>	<b>\$ 664,743</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>664,743</b>	<b>2</b>	<b>0.75</b>