



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 17, 2025

Honorable Matt Hatchett
Chairman, House Appropriations
245 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 59 0055)

Dear Chairman Hatchett:

This bill would create the Georgia Baby Bond Savings Plan, which would make savings trust accounts available for Georgia residents under 18 years of age and provide a minimum initial contribution from the state of \$250. A beneficiary whose family is receiving benefits from a federal assistance program, including Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program (SNAP), is eligible for an initial contribution of \$1,000. Account beneficiaries will receive an annual recurring contribution of \$250 or \$500 if the beneficiary’s family is receiving federal assistance. Account funds can only be used for qualified expenses, such as education, ownership of a home, investments in financial assets or personal capital, or other allowable activities deemed appropriate by the plan’s board of directors.

As shown in **Table 1**, data from the Office of the State Treasurer (OST) and other sources indicates that contributions would be approximately \$1.7 billion over the first two years as eligible children sign up. The amount would be \$870 million in the third year and subsequent years when the only new accounts are for newborns. (This would change with birth rate changes or net migration to Georgia.) A child qualifying for the lower deposit amounts would receive \$4,500 over 18 years, while a child receiving the higher deposits would receive \$9,500.

Table 1. Number and Cost of Savings Trust Accounts

	FY 2026	FY2027	FY2028
Number of Accounts			
New \$250 Deposit Accounts	938,801	938,801	66,000
New \$1,000 Deposit Accounts	407,000	407,000	54,000
Low Recurring Deposit Accounts	0	853,358	1,706,716
High Recurring Deposit Accounts	0	372,443	744,886
Total Accounts to be Funded¹	1,345,801	2,571,602	2,571,602
Cost of Deposits (in millions)			
Newborn Deposits	\$70.5	\$70.5	\$70.5
Child (<18) Deposits	\$571.2	\$571.2	\$0
Recurring Deposits	\$0	\$400.0	\$799.1
Total	\$641.7	\$1,041.3	\$869.6

1. This assumes that every child eligible for an individual savings trust account will successfully apply. The total number of accounts will be higher than those funded, as children age out of eligibility for additional state deposits.

Details of the data and assumptions used in the cost estimate are below.

- Approximately 120,000 babies are born in the state of Georgia annually, and there are an estimated 2.57 million children under 18 years of age living in Georgia. This indicates that there will be approximately 2.7 million individual savings trust accounts made available to Georgia residents in the two years. We assume that 50% of the existing child population will receive an account in year one and 50% in year two.
- Approximately 54,000 newborn babies (45% of all Georgia births) and 706,000 children (29% of all Georgia children) would be eligible for the \$1,000 initial investment based on the receipt of federal assistance. These estimates are based on the percentage of births in Georgia paid by Medicaid, and the number of children that participate in SNAP annually in the state of Georgia.
- The estimate assumes that the Georgia birth rate and the number of children aging out of this plan are consistent. Changes in birth rates and net migration to Georgia would change the annual costs.

Table 2 shows the projected cost of administering the plan in the first three years. If contribution amounts are as shown in **Table 1**, the expected fees would cover all administrative costs. If there are fewer accounts and contributions are significantly lower, the first-year administrative costs that are fixed (i.e., those other than plan manager fees) may require state funds.

Table 2. Administrative Costs

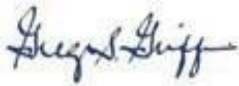
	FY 2026	FY2027	FY2028
Personnel Costs	\$684,454	\$684,454	\$684,454
Operating Costs	\$365,000	\$365,000	\$365,000
Consultant Fees	\$550,000	\$300,000	\$300,000
Audit Fees	\$150,000	\$100,000	\$100,000
Insurance	\$559,000	\$559,000	\$559,000
Marketing Contractor	\$1,400,000	\$1,400,000	\$1,400,000
IT Infrastructure	\$750,000	\$500,000	\$75,000
Plan Manager Fees	<u>\$10,093,507</u>	<u>\$20,187,015</u>	<u>\$21,087,015</u>
Total	\$14,551,961	\$24,095,469	\$24,570,469
1. Insurance includes Fiduciary Liability, Crime and Cyber. 2. Marketing contractor estimate is based on the current marketing budget for the Path2College 529 Plan.			

Most estimates are based on the current administrative expenses for the Path2College 529 Plan, which OST manages, with special consideration to the difference in size and scope between the two plans. Personnel costs include salaries and fringe benefits for five new positions (program manager, analysts, and specialists) that this program would require. Some administrative costs, like consultant fees, audit fees, and IT infrastructure, include start-up costs in FY 2026 and are expected to decrease in FY 2027 and FY 2028 to reflect the decrease in scope of work. Because the state auditor would be a member of the board of directors for this plan, OST would not be able to use the Department of Audits’ services to satisfy auditing requirements and would outsource to a contracted auditing organization instead. Additionally, the plan manager would receive an annual flat fee of \$7.50 for each account managed, steadily increasing over time as accounts are added to the plan.

There are additional factors that would impact the cost of implementing this bill but are unknown at this time. These are described below.

- Due to the novelty and scope of the proposed Georgia Baby Bond Savings Plan, the estimates OST provided may not encompass all expenses needed to create and fully administer this plan.
- The estimate assumes all children opt for a plan. To the extent that parents do not enroll, costs would be lower.
- The financial obligation would increase or decrease with changes in birth rates, as well as any increase in families relocating and becoming Georgia residents.

Respectfully,



Greg S. Griffin
State Auditor



Richard Dunn, Director
Office of Planning and Budget

GSG/RD/pj