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Ms. Elliott,

Our semester comes to a close, and with it ends our participation in the CalABLE program. Looking back, we have done so much more than complete a Capstone project: we have had the privilege to assist an overlooked segment of our population and provide a structure to protect those most in need of protection. We have seen firsthand the services you provide and impact you make, and we are grateful.

Over the course of the Spring Semester of 2017, we the USC Masters of Public Administration Class of 2017 Cohort have worked with you to support, enhance, and plan the rollout of the CalABLE agency. While most Capstone projects are made up of four or five individuals, our cohort took an approach that is unique in program history – all 25 of us worked on the same project. Broken into five teams that each addressed a different aspect of the CalABLE program, we tackled the issue of how to cultivate growth and sustainability for the CalABLE program as it gets off the ground. On one hand, this approach posed a great challenge as it required a cooperative effort that applied many of the administrative tactics we have learned throughout our program. On the other hand, this challenge ultimately became an advantage as it led to a synthesized product that reflected all of our unique skills and enforced cohesion.

Once again, we would like to give a special thanks to you and your staff at CalABLE for this unique opportunity. We as a class learned a lot from the entire process starting from our first meeting with you, a series of calls and communications with that you made time for, and from the collaborative process you stayed involved with to the end of our class. As we all move on, we are excited to watch as you make a difference in this valuable way.

Most sincerely,

Spring USC MPA Class of 2017 Cohort



A COMPREHENSIVE ANALYSIS AND  
RECOMMENDATIONS FOR A PROSPEROUS FUTURE

Prepared by spring 2017 Masters of Public Administration candidates of the  
University of Southern California's Sol Price School of Public Policy

## Acknowledgements

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## Executive Summary

*To help establish the California Achieving a Better Life Experience (CalABLE) program, a comprehensive analysis of the program's needs was conducted by a class of public administration master's students at the University of Southern California's Sacramento campus in the spring of 2017. CalABLE is a program created in 2015 that is designed to help people with disabilities develop greater financial security. The program is still in its early stages, which prompted its executive director, Christina Elliott, to consult with the public administration students as part of their capstone class. As a result, the students developed five working groups focused on five key needs communicated by CalABLE: finance, outreach, policy implementation/regulations, performance management and governance structure. Over the course of the spring 2017 semester, the students developed the following report with recommendations and supplemental materials in order to help CalABLE better understand the landscape surrounding its program.*

### *Issue area summaries*

#### **Finance**

To help establish the California Achieving a Better Life Experience (CalABLE) program, a comprehensive analysis of the program's needs was conducted by a class of public administration master's students at the University of Southern California's Sacramento campus in the spring of 2017. CalABLE is a program created in 2015 that is designed to help people with disabilities develop greater financial security. The program is still in its early stages, which prompted its executive director, Christina Elliott, to consult with the public administration students as part of their capstone class. As a result, the students developed five working groups focused on five key needs communicated by CalABLE: finance, outreach, policy implementation/regulations, performance management and governance structure. Over the course of the spring 2017 semester, the students developed the following report with recommendations and supplemental materials in order to help CalABLE better understand the landscape surrounding its program.

#### **Policy and Regulations**

In order to present ways to improve the implementation of the CalABLE program through regulatory and legal changes, this section examines the comments on the proposed federal regulations, existing state regulations, and laws in other states. Included in the analysis are summaries of important themes present in the more than 200 comments submitted in response to

the Internal Revenue Service’s (IRS) proposed ABLE regulations. Also included is a proposed potential state regulatory change, and proposed potential changes in state law. All of these materials are available for the board to consider and pursue.

### **Governance**

The ABLE Act was signed into federal law in 2014. Following its enactment, the National ABLE Alliance was formed. The alliance is a consortium of states that either received no appropriation for their respective state programs, or an appropriation that was not sufficient to create and run a program on their own. This section looks into the multiple variations in the structure and administration of each state’s program. It finds that each state has an administrative body, a fee structure, an approach for outreach, and a financial institution with which to contract.

### **Performance Management**

As CalABLE establishes its program, measuring its effectiveness over time will ensure the program continues to build on its success — and correct its inefficiencies. This section will detail how CalABLE should measure its goals and how to identify areas for opportunity and change. The areas to be continuously evaluated include program outreach, the financial literacy tools and resources, the performance of its clients’ accounts, and customer service. CalABLE should regularly gauge how its clients’ investments are performing, seeking insight into the level of utilization, trends in account usage, and patterns of investment. Using the tools provided, CalABLE should be able to gauge its clients’ financial literacy to assess whether they are gaining knowledge on how to effectively — and responsibly — manage their money. Using a performance management system will allow for tangibly measuring success and identifying opportunities for improvement.

### **Outreach**

This section provides a strategy to help CalABLE accomplish its outreach goals. As a new program with diverse stakeholders, a concerted effort is needed with strategic communication strategies that are well defined. An effective outreach strategy possesses four characteristics: it is customized for the CalABLE program and uses the best strategy based on the program’s needs and limited resources; it is a roadmap that provides direction on how to reach out to key stakeholders; it is flexible, as the provided outreach strategy is adaptable to changes; and it is holistic as it incorporates all of CalABLE’s activities. In addition to a defined strategy, the appendix contains outreach materials, maps and a tool kit.

**History of analysis**

This report was created by a class of 25 Masters of Public Administration candidates at the University of Southern California's Sol Price School of Public Policy Sacramento campus. The students were introduced to the Executive Director of CalABLE, Christina Elliott, in January and were given the time since then to develop their collective analysis. This analysis was guided by initial questions posed by Ms. Elliott and included issues ranging from customer service to financial models, funding and external communications. By researching other states, applying academic research methods and creating unique content, the groups developed this report.

## **Background / Issue Diagnosis**

*The analysis of CalABLE was done at the request of its executive director, Christina Elliott. Through various conversations between Ms. Elliott and the authors of this report, a framework was developed to address the following problems facing the nascent agency.*

### **Finance Issue Diagnosis**

The condition of the state's budget depends on many unpredictable economic conditions, including fluctuations in the stock market, which will have an effect on the future of CalABLE. Even in the short term, these conditions cannot be predicted with precision. According to both the Legislative Analyst's Office and the California Department of Finance, state revenues, which surged during several years of the recovery, are now beginning to lag behind expectations. Consequently, the budget—which remained precariously balanced even in the strongest revenue years—now faces a deficit of almost \$2 billion if action is not taken. Relative to the assumptions in the June 2016 budget plan, the administration estimates that revenues associated with the “Big Three” state taxes are down \$3.2 billion in 2015-16 and 2016-17 combined. This includes downward revisions in the personal income tax (PIT) (\$1.3 billion), the sales and use tax (\$871 million), and the corporation tax (\$1 billion). The administration also assumes a modest 2.9 percent growth in Big Three revenues between 2016-17 and 2017-18.

### **Policy and Regulations Issue Diagnosis**

In reviewing existing state ABLÉ programs, it became clear that facilitating maximum access to the program for the targeted population — those with permanent disabilities, their families, and caregivers is a key component of the success of ABLÉ programs. The discussions regarding policy and regulatory changes have focused on easing access and imposing fewer restrictions on those applying for ABLÉ accounts. Establishing more stringent requirements could create a hardship for individuals needing access to ABLÉ accounts and for loved ones who want to establish accounts for family members with permanent disabilities.

Restrictions on the use of ABLÉ funds seems to be a lingering problem for several programs. This is especially concerning for the family members of individuals with disabilities who are interested in opening a CalABLE account on their loved one's behalf. Attention was given to a review of existing state and federal regulations related to payments to Medicaid from CalABLE accounts of deceased account holders. While there are slightly varied approaches to the issue of Medicaid repayments upon the death of an ABLÉ account holder, the tendency is toward protecting the families and their need to pay for expenses.



## Governance Issue Diagnosis

With the passage of the federal Achieving a Better Life Experience (ABLE) Act of 2013 (S. 313/H.R.647), space was created for states to set up their own ABLE programs. These programs enable individuals with disabilities who receive Social Security Disability Insurance (SSDI) to accrue savings in tax-advantaged ABLE accounts without the risk of losing their SSDI benefits. Since the design and implementation was left up to the each individual state—with only minimal guidance—we believed it would be useful to compare the different models. Most state programs are running on a modest budget as they establish a client base, whose fees will pay for the ongoing administrative costs. States are also seeking public-private partnerships to manage the investment portfolios for account holders, and to identify financial instruments that best serve the clients.

CalABLE will encounter unique challenges and opportunities as it begins operating. As CalABLE finalizes its governance structure, special care needs to be given to the following: staffing, contracts, revenue generation, collaboration with other states, workflow, oversight, and organizational structure. Our goal is to provide insight into these through high level comparisons with others states to identify the right strategy for California.

## Performance Management Background

Performance Management is a style of management that seeks to clarify an organization’s goals. This can help an organization meet its goals by continuous examination of an assortment of metrics, the development of improvement strategies, and regular analysis of those strategies through the evaluation of metrics. Regular measurement of progress toward specified outcomes is a vital component of any effort at a customer-oriented process that focuses on maximizing benefits and minimizing negative consequences for those customers. A good performance

management system will help build trust in the community and demonstrate to the public and to policymakers that the services are delivered fairly.<sup>1</sup>



The two main categories of performance measurement are technical and organizational-political. Examples of the technical aspects are: goals, metrics, data, analysis, and follow through. While the organizational and political components reflect culture, leadership, trust, and institutionalism. Figure 1 (left) illustrates the Canonical

<sup>1</sup> Hatry, Harry P., *Performance Measurement: Getting Results* (Washington D.C.: The Urban Institute Press, 2006), 3-4, 25, 39, 175-180.

Cycle of performance management as it relates to the leadership of an organization. During the strategic planning and mission development phases, a set of well-defined, common performance benchmarks is established that enables the organization to examine their performance, and is inclusive with the customer to further their financial education and to make informed financial decisions. After data is collected, reports can be produced in a tiered approach that covers from basic summary statistics to more sophisticated, customizable graphs, scorecards, dashboards and performance forecasting.

The management and staff at CalABLE will be better informed in making operational assignments, and to define who needs to fix which performance deficits next. As part of the financial literacy component of the Program, additional training and development options can take routine metrics to a higher, more comprehensive level for users. As part of the outreach and customer service evaluations that CalABLE designs and implements, the organization can track the effectiveness of specific efforts and respond with increased partnerships or respond with reorganization, or a decrease in effort where the metrics show ineffectiveness. While existing public agencies may struggle to implement performance measurement, CalABLE has a unique opportunity to create the organizational structure at the outset that will support a performance management system.

### **Outreach Issue Diagnosis**

Given CalABLE's limited staff, funds and resources, it has been difficult to create an outreach strategy for informing, educating, branding and advertising the program throughout the state of California. The CalABLE Board, program staff, and partners need tools to communicate to the media, potential clients and allies basic information about the program. To that end, the outreach team is providing deliverables to meet these goals.

## **Financing Strategy for CalABLE**

*This document provides a brief, high-level summary of funding request packages for the California Achieving a Better Life Act Board (Board) to consider for administrative and operational costs while the program establishes a continuous revenue source. The items listed in this document represent both state and non-state funding proposals the board may pursue as either one-time or ongoing revenue streams. Included are two state proposal recommendations, meant to be short-term solutions while the CalABLE Program establishes a customer account base that will serve as an ongoing revenue source for administrative costs, and templates and summary documents to assist in applying for non-state resources.*

While the included funding proposal packages provide the Board with potential revenue streams, these recommendations alone will not be sufficient to cover administrative and operational costs. The goal of the CalABLE Trust Program is to be self-sufficient. This will only be achieved by opening investment accounts. The Board may choose to consider the following:

- State revenues have lagged expectations. The 2017-18 Governor's Proposed Budget maintains a structurally balanced budget, but many corrective actions to eliminate roughly \$1.6 billion were proposed to address the deficit. Given the budget constraints, General Fund appropriations currently are being scrutinized at a higher-level than may have previously occurred.
- The Developmental Disabilities Program Development Fund (Fund) was established to plan and develop new and expanded community facilities and programs for individuals with developmental disabilities. While CalABLE provides families and individuals with developmental disabilities the opportunity to accrue significantly higher savings than previous law allowed, the Fund is not intended to be an ongoing revenue source for CalABLE.
- Private and non-state resources to support CalABLE's programmatic and operational activities are short-term solutions. Few non-profit foundations fund strictly operational expenses and most limit the amount of funding granted towards state or governmental entities. Disability-related foundations often entail a directed focus, such as supporting individuals with a specified disability, targeting a particular demographic (e.g. youth, veterans, seniors) or developing a particular benefit for the disability community (e.g. workforce training or supporting employment).

The proposals included are consistent with the Board's mission to encourage and assist individuals and families with saving private funds for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life. While the attached funding proposals may provide the Board with the necessary funds to address immediate administrative cost needs, they should not be considered as permanent solutions. CalABLE will be funded and maintained through fees associated with customer accounts. The funding proposals included should only be considered short-term solutions to maximize customer outreach, which will increase the number of new customer accounts.

### **State Funding Proposals**

The Budget Act of 2016 authorized the Board to receive up to \$1.5 million as a loan from the General Fund to support the administrative costs of the Board, including three permanent staff positions, as well as funding for external consulting/contract services. The Board received an initial appropriation of \$850,000 for FY 2016-17 and \$650,000 for FY 2017-18. The General Fund loan must be repaid by June 30, 2022, with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer. Program costs and revenue will be determined by participation rates and associated participation program fees. Based on the Board's program revenue projections, the projected FY 2018-19 through FY 2022-23 administrative costs for operation exceed program revenues. Additional temporary funding is necessary to cover the Board's ongoing costs and General Fund Loan Repayment until projected revenues allow CalABLE to become solvent.

We recommend two possible state funding proposals for CalABLE based on two assumptions:

- CalABLE staff used 2016-17 and 2017-18 General Fund Loan authority to establish a request for proposals for the investment products the program will offer.
- Staff worked with stakeholders and impacted state, local, and federal agencies to develop the savings plan.

### ***Budget Change Proposal 1***

The California ABLE Program Trust requests \$1.9 million General Fund over three years (BY \$675,000, BY+1 \$650,000, BY+2 \$575,000) and 1.0 permanent position for education and outreach efforts related to the California Achieve a Better Life established by Chapter 796, Statutes of 2015 (SB 324, Pavley). The funding will be used to increase statewide public education and outreach campaign efforts to increase awareness and participation in the program.

Based on the Board's program revenue projections, the projected FY 2018-19 through FY 2022-23 administrative costs for operation exceed program revenues. Additional temporary funding is necessary to cover the Board's ongoing costs and General Fund Loan Repayment.

This proposal is consistent with the Board’s mission to encourage and assist individuals and families with saving private funds for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life. (Appendix 1A)

### ***Budget Change Proposal 2***

The California ABLE Program Trust requests \$1.9 million allocation over three years (BY \$675,000, BY+1 \$650,000, BY+2 \$575,000) from the Developmental Disabilities Program Development Fund and 1.0 permanent position for education and outreach efforts related to the California Achieve a Better Life established by Chapter 796, Statutes of 2015 (SB 324, Pavley). The funding will be used to increase statewide public education and outreach campaign efforts to increase awareness and participation in the program. (Appendix 1B)

This proposal seeks to utilize funds allocated from the Developmental Disabilities Program Development Fund. The purpose of the Program Development Fund is to provide resources needed to initiate new programs, and to expand or convert existing programs within the context of, and consistent with, approved priorities for program development in the state plan; program development funds shall promote integrated residential, work, instructional, social, civic, volunteer, and recreational services and supports to increase opportunities for self-determination and to maximize the independence of persons with developmental disabilities.

### **Philanthropic Funding Proposal**

CalABLE may seek private and non-state resources to support its programmatic and operational activities. To maximize opportunities for funding, an environmental analysis of philanthropic funding was conducted and resulted in a number recommendations and template documents to assist in applying for resources.

### **Findings of Environmental Analysis**

The environmental analysis showed that most philanthropic funding requests begin with a letter of inquiry (LOI) that outlines the organization’s purpose, summary of the grant proposal, and how it aligns with the foundation’s funding goals. Some may require more robust descriptions of project objectives, specific activities or approaches, target population with specific numeric metrics or an outline of existing partnerships. The general recommendation for length is 1-3 pages, with a maximum of 6 pages. Larger foundations often utilize online grant management tools that require responses to specific questions within a specified word limit.

In terms of funding restrictions and opportunities, few non-profit foundations fund strictly operational expenses and most limit the amount of funding granted towards state or

governmental entities. Disability-related foundations often require a directed focus, such as supporting individuals with a specified disability, targeting a particular demographic (e.g. youth, veterans, seniors) or developing a particular benefit for the disability community (e.g. workforce training or supporting employment). Foundations that promote financial literacy often focus on underserved communities but usually do not specify people with disabilities as a target population. Finally, while some foundations welcome unsolicited LOIs, many recommend establishing initial contact prior to accepting or considering a proposal.

### **Philanthropic Toolkit**

Based on the findings, this report includes template and summary documents to assist in applying for resources. There are four specific funding opportunities for which CalABLE may qualify. Included in the appendices are a summary of each foundation's stated purpose, restrictions that may influence CalABLE's decision to apply, and a recommendation for how CalABLE may choose to frame its proposal. The four foundations were chosen because they represent four different focuses of work. Therefore, the recommendations may guide CalABLE's proposal requests in other similarly focused foundations. (Appendix 1C)

#### **The template documents include:**

- A template letter of inquiry for grant funding (Appendix 1D)
- Budget narrative of existing budget expenditures (Appendix 1E)

*These template documents offer boilerplate language and analysis that CalABLE may customize for grant proposals.*

### **Recommendations**

Finally, in addition to our findings and the attachment documents, this report recommends the following:

- Consider forming 501(c)(3) to become more competitive for grant funding;
- Establish initial contact with foundations prior to submitting LOI;
- Use the recommendations found in the Outreach section to adopt an approximate timeline and work plan for outreach & education that can be included in grant requests;
- Customize resource request for each grant and utilize BCP (Attachment A & B) boilerplate language;
- Promote CalABLE as a means for supporting employment, self-sufficiency, and inclusivity for disability-focused foundations; and
- Promote CalABLE as an entity that serves particularly underserved populations when soliciting funds from foundations that focus on financial literacy.

## **Policy and Regulations Review**

*The changes outlined in Appendices 2A-C are meant to inform, define, protect, and clarify information. The proposed amendments to SB 218 are meant to clarify and generalize some aspects of the proposed law. The proposed additions to the state emergency regulations are meant to add the definition of an authorized legal representative so that potential consumers are better protected and more able to access CalABLE benefits. The themes generated from the comments on the federal proposed regulations are meant to inform administrators of potential avenues to pursue and the concerns that potential consumers, advocates, and administrators have with the current federal framework.*

### **Legislative Amendments for Senate Bill (SB) 218 (Dodd, Statutes of 2017)**

SB 218 would authorize the transfer of all amounts in the designated beneficiary's ABLE account to an ABLE account for another individual upon the death of the designated beneficiary, prohibit the state from seeking distribution of any amount remaining in the designated beneficiary's ABLE account for any amount of medical assistance paid under the state's Medicaid plan, and prohibit the state from filing a claim for the payment. Amendment language to SB 218 makes technical changes for clarity and make its applicability more generalized and easier to understand. The language clarifies the time table for Medicaid coverage and makes specific reference to federal regulation. (Appendix 2A)

CalABLE can submit the legislative amendments for Senate Bill (SB) 218 (Dodd, Statutes of 2017) to State Senator Dodd and his office. The current law is being re-referred to the rules committee of the California State Senate as of March 29, 2017. The added language is necessary so as to delineate where the state of California could potentially have authority over Medicaid related estate recovery in regards to the CalABLE program. Pursuit of the amended language will make the law clearer and broader.

### **State Regulation Language**

Under the current emergency regulations related to the CalABLE program, an "Authorized Legal Representative"—defined as a parent, legal guardian, or a person granted power of attorney -- may manage an ABLE account on an eligible individual's behalf. There has been expressed interest in expanding the scope of who can act as an "Authorized Legal Representative" for a CalABLE account holder. Regulatory amendments have been developed to expand the definition of an "Authorized Legal Representative" to include a CalABLE account holder's step-parent, sibling, step-sibling, and authorized representative and representative payee, consistent with federal definitions of the latter two terms. (Appendix 2B)

CalABLE can adopt the proposed regulation amendments as part of their regular rulemaking. The augmented definition for “Authorized Legal Representative” will increase access to the program as people who wish to help their relatives will gain the ability to open an account on behalf of a designated beneficiary and to help their relative manage their account. This augmented definition adds a layer of consumer protection by defining more thoroughly who is allowed to help open an account. It also increases the likelihood that people from out of state will choose this program over others.

### **Summation of Comments on Federal Regulations**

In 2015, more than 200 public comments were provided in response to the IRS’ proposed ABLE regulations. These comments, which included form letters, statements from nonprofits detailing how the target audience would be affected, and recommendations from state executive officers regarding regulatory changes. Many of these comments expressed concerns about safeguards, ease of access, authorized representation, transferability of ABLE account funds, disability certification and recertification, and cross-state ABLE accounts. (**Appendix 2C**)

CalABLE can integrate the recommendations from the federal comments in future legislation and regulations. Doing so could improve the level of service the program provides so that it is more accessible and useful for its clients. Additionally, these findings can inform future changes to federal because the regulations are still in the temporary regulatory stage of development.

### **Recommendations**

Finally, this report recommends the following:

- Incorporate regulatory change into regular rulemaking package;
- Submit amendments for Senate Bill 218 (Dodd).



## Governance Review

*The ABLÉ legislation, signed into law by President Obama in 2014, did not include a funding mechanism. State budgets are already stretched thin even in the best of times, and additional national mandates only serve to complicate the work of finance departments, treasurers, and state agencies. Being a federal mandate with no accompanying funding, states had to get creative in the implementation of ABLÉ programs across the country. Some states housed their new ABLÉ programs within already existing departments and programs. Others contracted the programs to outside vendors, essentially absolving themselves of all cost (but increasing client cost). Others found creative middle grounds on which they established consortia and other public-private partnerships. These novel approaches take advantage of economies of scale while maintaining greater institutional control over the program's implementation and administration. The following is a brief exploration of the varieties of ABLÉ programs currently being run throughout the US.*

### **The Government Approach:** *Public Program Administration and Oversight*

Several states have opted to administer their ABLÉ programs within already-existing public agencies. Kentucky, Michigan, and North Carolina all have active ABLÉ programs administered by the government on behalf of their residents. Publicly administered programs are advantageous because they rely on staff and resources that are already in place. In many states — including California — the bidding and procurement process can be onerous, with additional legal oversight required when large sums of public and customer money is trading hands. State agencies are already well-established bureaucracies with experts and dedicated staff ready to serve the new program.

There are, however, some downsides. Though ABLÉ is a federal mandate, there is no federal funding to accompany the new legislation. Therefore, ABLÉ administration by government agencies requires that likely already underfunded departments must further stretch their resources to meet the needs of another vulnerable population. This may happen at the expense of other programs and the people they serve. For states that have appropriated additional funding to administer the program, it is not done in the form of an ongoing appropriation, meaning program administrators and staff will have to lobby their department heads and the various state legislatures for funding on a yearly basis. Without an assurance that the program will exist in the same form in the coming fiscal year, building an effective and reliable program becomes more difficult. If administrators and staff feel their responsibilities will be eliminated in the future, they may instead divert their attention to responsibilities they know will be ongoing.

**The Industry Approach:** *Private Program Administration and Oversight*

Rather than take on additional workload with no additional funding, several states have opted to contract with an outside financial institution in order to more effectively administer the program. Nebraska, Oregon, and Virginia have all contracted with third-party financial institutions which open accounts on behalf of enrollees, invest their funds according to client preference, and even provide outreach and marketing services the state would not otherwise be in a position to create and disseminate themselves.

Of course, private industry does not agree to administer such a program without a profit motive. This means that while these programs are less costly to state departments, the costs are then passed on to the client in the form of annual or quarterly fees and interest. However, because these programs are administered by professionals with high financial literacy, the returns on the accounts have the potential to be higher than if they were run by civil servants. Though it is too early to tell, there is a potential for clients to see greater returns even with the additional fees and interest.

The main downside is that most financial institutions know these ABLE accounts will be very low margin, meaning very little money will be made on each account. Therefore there is less incentive for these financial institutions to partner with ABLE programs. Additionally, the target population is limited, meaning that even in a best-case scenario, total profits from administering the program will effectively be capped at a certain number. The limited potential to turn a profit makes the bidding and procurement process more difficult. Some states, like Alabama, were unable to find a suitable financial institution, and instead partnered with another state (in this case, Nebraska). So, though it may seem strange, clients in Alabama are served by the First National Bank of Omaha. The bank even sends staff to Alabama to conduct outreach efforts in order to boost the enrollment numbers of the program (which are currently quite low).

**Novel Approaches:** *Public/Private Partnerships*

While many of the states run publicly administered ABLE programs and others have passed administration on to other private financial institutions, some have found more novel ways to best serve their clientele. Florida is an exemplar of a mixed approach to the ABLE mandate problem. ABLE United is administered by the Florida Prepaid College Board, a program similar to the 529 College Savings program. This board oversees the program and there are fourteen dedicated staff members assigned to administer the program and provide customer service. However, fourteen staff members do not come cheaply, so the Florida legislature has appropriated \$3,166,000 for fiscal year (FY) 2016-2017 to support administrative and program needs. This appropriation is expected to be reduced to \$2,166,000 in the following fiscal year,

with the possibility of further reductions as ABLE United finds its footing. In addition to the publicly administered aspects of the program, there are contractors who support the program in various ways. For example, marketing and outreach are outsourced to vendors. Additionally, the account funds are managed by vendors, as are the records associated with each client. These public/private partnerships provide an interesting mixture of accountability and flexibility, and are fairly unique amongst the ABLE programs that are currently active. Florida is, however, a large state with a sizable disabled population, so it made sense for its legislators and functionaries to address the ABLE mandate in this way. Many states, though, are too small to attract financial institutions and other contractors on their own.

Without a sufficient number of potential clients, and without funding from the federal government to support ABLE programs, many states would be unable to develop and administer effective programs. In situations like these, economies of scale become an important consideration. In order to provide for potential clients and adhere to the mandate passed by Congress, Alaska, Illinois, Iowa, Kansas, Minnesota, Nevada, North Carolina, Pennsylvania, and Rhode Island have all banded together to form the National ABLE Alliance. This program is administered by Ascensus, which provides outreach, customer support, record keeping, and financial services to all participating states. This alliance has the advantage of greatly increasing the number of potential clients, meaning more disabled populations can be helped at a lower cost. Not all of the states in the alliance are currently accepting enrollees, and not all of them have appropriated funding for state oversight. Therefore, it is mostly up to the National ABLE Alliance to regulate itself. Fortunately, most of their accounts are low-risk, meaning the potential for catastrophic loss is limited.

## **Conclusions**

California is the nation's largest and most populous state. This means that administrators here do not need to worry about having too few enrollees. In order to best serve clients, California may choose to contract with a vendor to provide program administration while maintaining state oversight and regulation.

This addresses concerns of how government resources are allocated equitably. Should, for example, all taxpayers be responsible for funding a new mandate that only benefits a very specific population? Or, instead, should those who benefit from the program be the ones who bear the cost? Because the potential customer base is so large, it should be possible for a contractor to provide administrative and outreach services for a modest individual fee.

Additionally, California's funding stream is notoriously unstable, and with the next economic downturn there will have to be cuts to government services. By contracting with an outside financial institution, clients will not see an interruption in services despite state budget reductions. Because these clients are a vulnerable population, continuity of service and ease of access are crucial to successful program administration. While it is still very early in the implementation phase of ABLE programs throughout the country, it appears that a public-private partnership would benefit CalABLE by balancing financial constraints with the need for oversight and accountability.

### **Recommendations**

Finally, in addition to our findings and the attachment documents, this report recommends the following:

- Continually assess the progress of other ABLE programs and decide if any changes to CalABLE can be made.

## **Performance Management Strategy**

*A well-defined performance management plan will enable CalABLE administrators to measure its success and identify growth opportunities. This section recommends evaluating CalABLE's efforts in four mission-critical areas: customer service, financial literacy, investment performance, and outreach. Although existing public agencies struggle to implement performance management systems, CalABLE has a unique opportunity to create the organizational structure at the outset that will support continuous improvement.*

### **Customer Service Best Practices**

Once a customer service vendor is selected for CalABLE, financial advisers and call center staff will need to be trained in the best practices of communicating with clients with disabilities. The vast majority of these interactions are anticipated to take place on the phone, though it's possible a live chat system could be developed in the future. If possible, CalABLE should consider adopting augmentative and alternative communication (AAC) technologies, which rely on symbolic forms of communication and have been shown to help foster communication with people who have severe intellectual disabilities.

### **Best Practices for Communicating with People with Disabilities Over the Telephone**

Generally speaking, when dealing with people who have disabilities over the phone it's best to first and foremost treat them like any other person you'd speak to on the phone, according to best practices published by organizations like the Ontario Education Services Corporation. Those practices include:

- Speak normally, clearly and directly.
- Concentrate on what's being said by the client, not how it's being said.
- Be patient, don't interrupt and don't finish a client's sentence. Give them time to explain what they mean.
- Don't guess what a client said — if you don't know, don't pretend you do. Just ask again.
- If a client is using an interpreter or a TTY line, just speak normally to the client — not to the interpreter.
- If a client is having difficulty communicating, offer to make arrangements to call back when it's convenient to speak with someone who can be of help.

Unlike most customer service systems, minimizing wait times will not be a priority for CalABLE. Instead, measuring the effectiveness of the phone call will be paramount. As a result, CalABLE will monitor the following: The number of call backs from clients who didn't get their question answered the first time; the number of complaints against the customer service system; and the number of call escalations — when a client asks to speak to a manager. CalABLE plans

to also send a post-call survey (Appendix 4A) to clients via email using a service like Survey Monkey, which would gauge their satisfaction level with the customer service provided by CalABLE.

### **Measuring Financial Literacy in CalABLE Clients**

Financial literacy will be a future component of this program, with the hope that CalABLE can promote financial literacy among its stakeholders and clients. CalABLE is in a unique position to educate and empower clients to make well-informed decisions regarding their investments and savings. CalABLE can assess the financial literacy of their clients and direct education and outreach efforts more precisely to the disabled community.

One strategy to increase the financial literacy of CalABLE clients is to include links to educational material on CalABLE's web platform. CalABLE's web platform may include complex financial vocabulary and ideas; these complex ideas can be highlighted with a hyperlink that will direct clients to an accessible and concise article that explains the concept. All of these articles should be written at around an 5th grade reading level, to insure that most clients will understand the article and begin to understand the terminology. These articles can be written by an outside organization that specializes in financial literacy and should incorporate financial literacy best practices.

When investments perform poorly, clients will be directed to links that describe the cyclical nature of markets, why their investments are performing poorly, and what the long term prospects are for their portfolio. Performance of accounts will be checked quarterly.

### **Articles**

The CalABLE web platform will contain multiple articles that deal with a variety of financial literacy topics. All of these articles should incorporate information related to financial literacy best practices, should be written at a 5th grade level, should have a title that is six words or less, and should be 1,600 words or less.<sup>2 3</sup> If possible, CalABLE articles should be written in English and Spanish. These articles should address all of the different financial terminology that is included on the website and should have multiple articles about the different investment options that CalABLE offers. The articles should also give advice about the returns clients should expect,

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<sup>2</sup> Lee, K. (2016, June 01). The Ideal Length for All Online Content. Retrieved March 20, 2017, from <https://blog.bufferapp.com/the-ideal-length-of-everything-online-according-to-science>

<sup>3</sup> Sall, M. (2013, December 02). The Optimal Post is 7 Minutes – Data Lab. Retrieved March 20, 2017, from <https://medium.com/data-lab/the-optimal-post-is-7-minutes-74b9f41509b#.2zpx5juq1>

the risk clients are taking, how to diversify one's investments, and how much one should invest. Articles will be updated and new ones will be added quarterly.

### **Financial Literacy Test**

A test will be given to CalABLE participants to assess their financial literacy before they begin to invest their money. This test will also be given every 6 months so CalABLE can evaluate its participants' financial literacy overtime. At the conclusion of the test, the results should link to articles that address areas in which the individual tested poorly. The test should primarily focus on vocabulary and investing. These tests will be collected by the department and used to understand clients' levels of financial literacy. Results should then be used to direct future education and outreach efforts and website content creation. This test will be given every six months, we will use the pre-test/post-test model to evaluate the success of interventions.

### **Financial Performance**

Regular evaluation of how well investments are doing is important in any context. The complexity of assessing investments for CalABLE account holders, as well as for the administrators, is dependent upon what investments are owned by the participants in California. Additional data will come from account holders living outside of California, and participants in the other state programs. Data from other states with programs that have been launched prior to CalABLE will also provide insight into the nature of success, or shortcomings of these accounts. Comparison of the populations among the disabled community can provide insight into the level of utilization, trends in account usage, and patterns of investment.

### **Investment Performance**

It's important to regularly evaluate how well clients' investments are doing. The financial literacy component of CalABLE can encourage the individual account owner to make basic calculations to show whether their account increased in value, or decreased. The more low-risk the account, the simpler the calculations tend to be. However, CalABLE account contributions are likely to be made throughout the year and by multiple sources. This increases the complexity of calculating the return on investment. Ideally, software like Quicken or Microsoft Excel will be utilized to track and make calculations. Visual examples of the potential product of the performance data collected for these reports are displayed customer-centered in **Appendix 4B**, and some examples for internal reporting also in **Appendix 4B**.

The performance of these Tax Free Savings Accounts would be updated on a quarterly basis to coincide with the manner in which market reports are issued as required by the Securities and Exchange Commission (SEC). It is possible for CalABLE clients to have times of asset growth

or decline based on market fluctuations, interest rates and other investment realities. For those account holders, CalABLE has the opportunity to maintain and strengthen the robustness of the financial literacy component of the program. As quarterly reports on the accounts come in, the financial literacy component of the program should be ready to step in with quarterly investment education resources. Aligning the dissemination of educational reports to coincide with SEC reporting is one solution to address the possibility of poor asset growth. Account performance reports create a learning opportunity for clients to understand the nature of market investments. CalABLE could choose to inform customers using these techniques. Additionally, reporting creates opportunities for managers to target their actions, and improve productivity.<sup>4</sup>

### **Customer Based Performance Evaluation**

Outside vendors provide an array of client reports that clients can access 24/7 from the customized asset management web portal that can be designed for each client type and investment risk. These reports would illustrate performance net of fees, the holdings in the customer's account, and their weightings. CalABLE could choose to contract with an outside vendor for this purpose, or use existing software capabilities utilized by the state agencies.

### **Data Tracking and Demographics**

Managers and staff could choose to evaluate the performance of CalABLE accounts compared to the performance of ABLE programs in other states. In addition to the financial data, the evaluation of types and risks of accounts will require ongoing tracking of the demographic information of account holders. Categories for tracking include index trends and comparisons among peers in the same asset class (each state that allows out-of-state residents to enroll, each type of account, and the yield and risk for each kind of account). The ongoing data collection of demographic trends of the account holders should include age, sex, education level, race, employment status (labor force participation), poverty level, and primary language.

### **Outreach**

The success of outreach efforts will be measured by the effectiveness of two synergistic components — media outreach and partner organization outreach. The Media Tool Kit supports media outreach efforts, while the Outreach Tool Kit supports partner organization outreach efforts. Successful media outreach will result in appropriately frequent, positive, and accurate media coverage of the CalABLE program. The Media Tool Kit, which can be found in **Appendix 5C**, provides media outlets with key CalABLE messages; the effectiveness of the Media Tool Kit can be measured using the Media Tool Kit Evaluator, which can be found in **Appendix 4C**.

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<sup>4</sup> Moynihan, Donald P., *The Dynamics of Performance Management: Constructing Information and Reform* (Washington D.C.: Georgetown University Press, 2008) Chapter 2.



Successful partner organization outreach will result in more organizations promoting CalABLE with their stakeholders. The Outreach Tool Kit, which can be found in **Appendix 5A**, provides partner organizations with resources that promote CalABLE for the organization's stakeholders; the effectiveness of the Outreach Tool Kit can be measured through the use of a survey, which can be found in **Appendix 4D**.

### **Recommendations**

- Adhere to best practices of customer service and evaluate the performance of the vendor.
- Conduct quarterly financial literacy evaluations in conjunction with quarterly financial reporting on the status of CalABLE accounts.
- To continually monitor and evaluate the effectiveness of outreach efforts.

### **Conclusion**

Thoughtful implementation of performance management strategies can aid CalABLE in fulfilling its mission. As CalABLE grows, administrators should collect the data necessary to evaluate the effectiveness of its customer service, outreach, financial literacy efforts and the performance of its clients' investments. With an eye towards continuous improvement and habitual reflection, CalABLE can empower its clients and provide the financial tools and resources they need to be financially secure.

## **Outreach Strategy for CalABLE**

*The outreach team's deliverables are meant to assist CalABLE's outreach strategy to advertise the program throughout the State of California. The deliverables include the following materials: a media tool kit, an editorial piece, an outreach tool kit, a frequently asked questions document targeted towards the low income disability population, an outreach roadmap, a sample ordinance for cities and counties, and a sample Memorandum of Understanding between CalABLE and the Association of Regional Center Associations.*

### **The Media Tool Kit (Appendix 5A)**

In order for the public to become informed and educated about the CalABLE program, it is necessary to have a comprehensive media strategy. This Media Tool Kit was developed with the intent of assisting the CalABLE Board, staff and partners inform and educate the media on the CalABLE program. It contains information about CalABLE, its Board of Directors, and demographics of the community it seeks to serve. It also contains key points of the program and frequently asked questions.

- Press Release and Media Alert Template (Appendix 5i): Gaining media attention and thus visibility for the CalABLE program can be obtained through various mediums and methods. One such method is through issuing press releases and media alerts about CalABLE newsworthy events. For example, a press release might be issued to highlight a key partnership or a program milestone. Media alerts could highlight upcoming outreach events or press conferences. These templates are an extension of the Media Tool Kit and are meant to be used by CalABLE staff moving forward as they develop a media strategy.

### **The Editorial Piece (Appendix 5B)**

This is a document that can be released from the State Treasury Office in support of both the National Disability Employment Month, in October, and as a promotion of the CalABLE program. Given that the program is under the State Treasury Office, this editorial piece advertises the program and its benefits for certain individuals in the disability community.

### **The Outreach Tool Kit (Appendix 5C)**

In order for key stakeholders and the public to become informed and educated about the CalABLE program, it is necessary to have a comprehensive outreach strategy. This Outreach Tool Kit was developed with the intent of assisting the CalABLE Board and staff to inform and educate partners and key stakeholders involved in the disability community on the CalABLE program. It contains the CalABLE logo, graphics, posters, and a social media strategy. Additionally, it contains a guide to opening a CalABLE account to inform potential clients.

Logo, Color and Font Guide (Appendix 5ii): To build CalABLE's brand moving forward, a logo, color and font guide were developed. The color and font guide contains the specific fonts and colors that are to be used when designing all marketing, communications, and outreach materials. The same guide was used to develop the Media and Outreach toolkits.

- Social Media Strategy and Graphics (Appendix 5iii): To increase CalABLE's visibility without investing in a high cost media strategy, we recommend increasing the program's social media presence. The Social Media Strategy guide we have provided includes template social media campaigns and recommendations for adopting a social media management software tool.
- A Guide to Opening a CalABLE Account (Appendix 5iv): CalABLE will need to inform and educate potential clients about their services and the benefits of opening a CalABLE account. This educational brochure helps them do just that. Available in print and online, this brochure provides a brief background of the CalABLE program, eligibility requirements, the benefits of opening an account, costs and fees associated with an account, and where and how to sign up.
- CalABLE Poster (Appendix 5v): This poster is designed to be displayed in highly visible public spaces preferably where potential clients of CalABLE gather. To bolster their outreach efforts, CalABLE staff can provide its partner agencies with several copies of “A Guide to Opening a CalABLE Account” educational brochure, the poster, and FAQs.

### **Frequently Asked Questions for Low Income Disability Population (Appendix 5D)**

In the outreach toolkit, we have included a collection of frequently asked questions (FAQ's) to maximize the ease with which potential users can explore CalABLE accounts. This is also geared towards the low income disabled community who would likely be the most affected if their other government assistance programs were affected by the CalABLE program. Due to the newness of the program and the lack of targeted education among potential enrollees, there is a level of distrust that needs to be overcome. For example, some disabled individuals have already voiced concern that creating a CalABLE account will make them lose their public benefits. Misunderstandings like this, if not dissipated early, will presumably prevent a large portion of the disabled community from applying for CalABLE accounts and reaping the benefits that they offer. By creating a list of frequently asked questions and providing clear, simple answers to these questions, these mental barriers to entry are broken down and prospective applicants can become comfortable with the basic aspects of the program. This should be included on CalABLE's website and distributed to all partners immediately.

### **Outreach Road Map (Appendix 5E)**

The outreach roadmap provides a detailed explanation regarding partnership opportunities available for CalABLE. The CalABLE Board and staff members can use the outreach road map to identify key stakeholders important to the disability community. For each key stakeholder, the map explains the opportunities, challenges and limitations, and potential strategies to building partnerships and expanding the program's overall outreach goal. This roadmap should be used immediately to build important partnerships for the promotion and advertising of the CalABLE program.

### **Sample Ordinance for Cities and Counties (Appendix 5F)**

CalABLE can use this sample to encourage city councils, school boards, and counties to adopt a resolution in support of National Disability Employment Month. Organizing a local Disability Month campaign to encourage participants to receive information and sign up for CalABLE.

### **Sample Memorandum of Understanding between CalABLE and Association of Regional Center Associations (Appendix 5G)**

CalABLE can use this sample to encourage formal memorandums of understanding between several statewide agencies already committed to serving the disabled community. This will provide formal partnerships between agencies already involved in serving the disabled communities throughout California and leverage resources to help sign individuals and their families up for a CalABLE account. Building these partnerships will help increase visibility of the CalABLE program and using the network, as opposed to the program's limited funds, to advertise the benefits of the program.

### **Recommendations**

Finally, in addition to our findings and the attachment documents, this report recommends the following:

- Perpetually and proactively seek new partners;
- Search for ways to reach new customers easily and efficiently;
- Produce materials geared specifically towards the target population.

### **Conclusions**

The outreach plan is based on a theory of concentric circles where CalABLE is the hub. CalABLE reaches out to statewide organizations, who in turn reach out to their member organizations, who in turn reach out to the individuals and families they serve. These individuals and families would reach out to their network of friends. For each circle, CalABLE provides the necessary relevant information that could be posted on websites and shared on social media. The

goal is to use these networks to first engage the community in the regulatory process and then to spread the word that CalABLE is open for business.

The outreach team has provided various tangibles to assist the CalABLE program increase their visibility to the disabled community throughout California. The logo will assist in branding the program and advertising this to the disability community to be able to utilize for their benefit. All of above mentioned deliverables are low cost to no cost to the CalABLE program.

## **Final Thoughts**

If implemented successfully, the California Achieving a Better Life Experience (CalABLE) program affords this state the opportunity to help some of its population's most vulnerable individuals attain greater financial stability and security. Therefore, the primary intent of this analysis is to ensure that CalABLE has a strong start. In fulfilling this intent, our team has compiled the tools and analysis discussed above to aid CalABLE administrators in achieving a sound implementation process and ensuring the long-term stability of the program. To that end, the authors of this report have provided recommendations in the areas of budget and finance, policy and regulations, governance, performance management, and outreach.

### **Finance**

The budget and finance section acknowledges the need for both one time and sustainable revenues to continue the operation and programmatic functions of CalABLE, while the program becomes self-sustaining through user fees from account participants. Toward this end, our analysis has provided potential short term recommendations from both public and private resources. In particular, a short term loan from the state General Fund is advised, as well as recommendations on accessing philanthropic resources from the state's many non-profit foundations that are located in California.

### **Policy and Regulations**

The policy and regulations review provides tangible recommendations on how to clarify and strengthen the existing policies and regulations of CalABLE. The provided deliverables will allow the CalABLE team to put these proposals into action. Facilitating maximum access to CalABLE accounts is a primary concern for program beneficiaries; ensuring that beneficiaries' families, caregivers, and other designated individuals have account access must be kept in mind as the program is implemented. Furthermore, our team recommends that restrictions on the use of CalABLE funds must be clarified for program beneficiaries, who have also expressed widespread concern regarding potential points of confusion with federal regulations and disability programs.

### **Governance**

The governance review was provided as a tool to examine the successes and failures of ABLE programs in other states. Various states have chosen a variety of governance structures including public governance, private governance, and a mix in between. In moving forward, CalABLE should think critically about its design and how unique partnerships, particularly between the public and private sectors, can allow this new agency to best serve its large and diverse population.

## **Performance Management**

The performance management review offered recommendations that will allow CalABLE administrators to keep a finger on the pulse of the program's growth, strengths, and opportunities to improve. Four elements of performance management must be sufficiently met: customer service, financial literacy, investment performance, and outreach. Administrators must work with staff, clients, and community partners to ensure that efficient communication, training, reporting, and outcomes are being assessed, met, and managed. Thoughtful use of the performance management tools found in the appendices will aid administrators in correcting deficiencies, recognizing success, and ultimately realizing the program's mission.

## **Outreach**

The Media and Outreach Tool Kits ultimately provide a foundation on which the CalABLE program can build its brand to the public, with a media component specifically designed to target local newspapers, social media outlets, governmental institutions, hospitals, regional centers, non profits, and other community outlets. In particular, these tools will target the low income disability populations, while simultaneously promoting greater awareness of the program amongst the general California population. The supplemental outreach material can serve as a template to enlist cities and counties as partners in promoting CalABLE to their constituencies. The outreach component of CalABLE's program is one of the most vital elements that will be implemented. A sustainable and useful outreach plan will increase residents' knowledge of the program, which will consequently increase the program's rate of access throughout the state.

## **List of Appendices (See Attached Document)**

### **Finance 1A-1E**

- 1A: Budget Change Proposal 1
- 1B: Budget Change Proposal 2
- 1C: Philanthropic Funding Opportunities
- 1D: Template CalABLE Letter of Inquiry
- 1E: Budget Narrative

### **Policy and regulations 2A-2C**

- 2A. Proposed Statutory Amendments to SB 218
- 2B. Proposed Additions to State Emergency Regulations
- 2C. Important Themes from Comments on Federal Proposed Regulations

### **Governance 3A**

- 3A. State Comparisons Spreadsheet

### **Performance Management 4A-4D**

- 4A: CalABLE Post-Call Survey for Customer Service Evaluation
- 4B: Financial Performance: Customer Account Dashboard Example
- 4C: Media Tool Kit Evaluator
- 4D: Outreach Tool Kit survey

### **Outreach 5A-5G**

- 5A. Media Tool Kit:
  - 5i. Press Release and Media Alert Template (PDF and Word)
- 5B. The Editorial Piece
- 5C. The Outreach Tool Kit:
  - 5ii. Logo, Color and Font Guide
  - 5iii. Social Media Strategy and Graphics
  - 5iv. A Guide to Opening a CalABLE Account
  - 5v. CalABLE Poster
- 5D. Frequently Asked Questions for Low Income Disability Population
- 5E. Outreach Road Map
- 5F. Sample Ordinance for Cities and Counties
- 5G. Sample Memorandum of Understanding Between CalABLE and Association of Regional Center Associations