
DECEMBER 5, 2017

**AGENDA ITEM 3
ACTION ITEM**

CALIFORNIA ABLE ACT BOARD

Resolution No. 2017-08: Approval of the State Administrative Fee for the California ABLE Program

Action Recommended

Adopt Resolution No. 2017-08 approving the state administrative fee for the California ABLE Program.

Background

The California ABLE Act Board (“the Board”) received a \$1.5 million loan from the General Fund to cover administrative and operational costs over two fiscal years—\$850,000 for Fiscal Year 2016-17 and \$650,000 for Fiscal Year 2017-18. Per section 4878(a)(3) of the Welfare and Institutions Code (the “Code”), the Board is to repay this loan within five years. Per section 4877(c)(11) of the Code, the Board may promulgate, impose, and collect administrative fees in connection with transactions of the California ABLE Program (“the Program” or “CalABLE”). Without an annual appropriation from the Legislature, the Board is responsible for both reaching sustainability and repaying the General Fund loan through a state administrative fee (the “Fee”) collected from Program participants.

ABLE programs are still fairly new and available data is insufficient to establish trends that determine projected growth rates in the number of participants, assets under management, and state revenues. Therefore, with assistance from the Board’s 529A program consultant, AKF Consulting Group, staff has created a five-year projection for sustainability and loan repayment based on three different Fee structures—0.05%, 0.07%, and 0.10%. The attached projections assume the need for additional General Fund loans, estimated at \$900,000 per year which is adjusted for inflation after Year 2, to cover ongoing administrative and operational costs. They also assume a conservative account growth rate, starting at 50% in Year 2 and Year 3 before decreasing to 25% in Year 4 and Year 5. Overall, these projections illustrate that with each of the Fee structures, sustainability and repayment of the General Fund loan(s) is not projected within the five-year period anticipated by the Legislature and is expected to extend well beyond that period.

As a result, staff is recommending the collection of the Fee of 0.10% at the Program’s launch. Although the Fee at 0.10% is not anticipated to allow for sustainability or

repayment of the General Fund loan(s) within the five-year period, it does allow the Board to increase its ability to do so, while also allowing for the overall Program fees (which include other fees charged to Program participants) to remain low-cost and competitive within the national ABLE program space.

Near the end of five years, well after the Program has launched and more trends can be identified and evaluated for ABLE programs, the Board will provide projections to determine the line of best fit for sustainability and loan repayment of the Program.

Attachments

- Attachment #1 – Resolution No. 2017-08
- Attachment #2 – California ABLE Administrative Fund - Multi-Year Forecast
- Attachment #3 – CalABLE Fee Comparison Update by AKF Consulting Group