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**NOVEMBER 27, 2018**

**AGENDA ITEM 3  
ACTION ITEM**

**CALIFORNIA ABLE ACT BOARD**

***Resolution No. 2018-08: Approval of Amended Resolution Approving the State Administrative Fee for the California ABLE Program***

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***Action Recommended***

Approve Amended Resolution No. 2018-08 approving the state administrative fee of forty four basis points, or 0.44%, for the California ABLE Program.

***Background***

Per section 4877(c)(11) of the Welfare and Institutions 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.

At its October 23, 2018 meeting, the Board voted to approve Resolution 2018-08, authorizing the collection of a Fee of 0.44% at the Program’s launch. Although the Fee at 0.44% is not anticipated to allow for immediate sustainability or repayment of the General Fund loan(s), it does allow the Program to remain competitive in the ABLE industry without being overly burdensome to participants.

Upon further review and discussion, staff identified that collection of the Fee from Program participants investing in the FDIC-Insured Portfolio could have the unintended consequence of reducing the principal in their accounts. This possibility is in direct conflict with the intended purpose of the service offering, which is to protect individual loss of principal for those utilizing the safety and security of an FDIC-Insured Portfolio. Consequently, staff recommends that the Board consider waiving the Fee on the FDIC-Insured Portfolio until market conditions would allow the Fee to be charged without the loss of principal. As part of this consideration, AKF Consulting has developed an analysis to assist the Board in understanding the effect on revenue should the Fee not be applied to the FDIC option.

***Attachments***

- Attachment #1 – Amended Resolution No. 2018-08
- Attachment #2 – Fee Analysis by AKF Consulting