

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 0981	Department California ABLE Act Board	Priority No. 1
Budget Request Name 0981-300-BCP-BR-2016-A1		Program 0895 – CA ABLE Act Board	Subprogram

Budget Request Description  
 Implementation of the Qualified Achieving a Better Life Experience Program

Budget Request Summary

Chapter 796, Statutes of 2015 (SB 324, Pavley), signed by the Governor on October 11, 2015, and enacted on January 1, 2016, establishes the Achieving a Better Life Experience Act Board (Board) for the purpose of creating a statewide program known as the Qualified ABLE Program to assist individuals and families with saving private funds for the purpose of supporting persons with disabilities.

To implement and administer the ABLE program, the Board requests: (1) two positions and corresponding funding, (2) funding for the Executive Director, and (3) funding for external consultants. The Board also requests, as specified in Chapter 774, Statutes of 2015 (AB 449, Irwin), a General Fund loan of \$1,500,000, which should be "sufficient to cover the board's projected administrative costs for its first two years of implementing the program".

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR  SPR Project No. Date:

If proposal affects another department, does other department concur with proposal?  Yes  No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By	Date	Reviewed By	Date
Department Director	Date	Agency Secretary <i>Kenneth P. Brown</i>	Date <i>3/10/16</i>

**Department of Finance Use Only**

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Dept. of Technology

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA <i>Megory R. Buss</i>	Date submitted to the Legislature <i>4/1/2016</i>
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**Fiscal Summary**  
(Dollars in thousands)

BCP No.	Proposal Title	Program				
1	Implementation of the Qualified ABLE Program	Qualified ABLE Program				
Personal Services	Positions			Dollars		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages <sup>1</sup>		3.0	3.0		\$256	\$256
Total Staff Benefits <sup>2</sup>					<b>105</b>	<b>105</b>
<b>Total Personal Services</b>	0.0	3.0	3.0	\$0	\$361	\$361
<b>Operating Expenses and Equipment</b>						
General Expense					12	12
Printing					2	2
Communications					9	9
Postage					2	2
Travel-In State					3	3
Travel-Out of State						
Training					3	3
Facilities Operations					12	12
Utilities					3	3
Consulting & Professional Services: Interdepartmental <sup>3</sup>					45	45
Consulting & Professional Services: External <sup>3</sup>					365	195
Data Center Services					3	3
Information Technology						
Equipment <sup>3</sup>					30	
Other/Special Items of Expense: <sup>4</sup>						
<b>Total Operating Expenses and Equipment</b>				\$0	\$489	\$289
<b>Total State Operations Expenditures</b>				\$0	\$850	\$650
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds <sup>5</sup>	0981	001	8101		\$850	\$650
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Total Local Assistance Expenditures</b>				\$0	\$0	\$0
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Grand Total, State Operations and Local Assistance</b>				\$0	\$850	\$650

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.

<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.

<sup>3</sup> Provide list on the Supplemental Information worksheet.

<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.



## Supplemental Information

(Dollars in thousands)

BCP No. 1	Proposal Title Implementation of the Qualified ABLE Program
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Equipment	CY	BY	BY +1
Personal Computer and Software		9	
Office Furniture		21	
<b>Total</b>	\$0	\$30	\$0

### Consulting & Professional Services

State Treasurer's Office Administration Contract		45	45
External Consultant		365	195
<b>Total</b>	\$0	\$410	\$240

### Facility/Capital Costs

<b>Total</b>	\$0	\$0	\$0
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### One-Time/Limited-Term Costs

Yes  No

Description	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
	0.0	\$0	0.0	\$0	0.0	\$0

### Full-Year Cost Adjustment

Yes  No

*Provide the incremental change in dollars and positions by fiscal year.*

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>	0.0	\$0	0.0	\$0	0.0	\$0

### Future Savings

Yes  No

*Specify fiscal year and estimated savings, including any decrease in positions.*

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>	0.0	\$0	0.0	\$0	0.0	\$0

# BCP Fiscal Detail Sheet

BCP Title: Achieving a Better Life Experience (ABLE) Program

DP Name: 0981-300-BCP-DP-2016-A1

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	3.0	3.0	3.0	3.0	3.0
<b>Total Positions</b>	<b>0.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
Salaries and Wages						
Earnings - Permanent	0	256	256	256	256	256
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$256</b>	<b>\$256</b>	<b>\$256</b>	<b>\$256</b>	<b>\$256</b>
Total Staff Benefits	0	105	105	105	105	105
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$361</b>	<b>\$361</b>	<b>\$361</b>	<b>\$361</b>	<b>\$361</b>
Operating Expenses and Equipment						
5301 - General Expense	0	12	12	12	12	12
5302 - Printing	0	2	2	2	2	2
5304 - Communications	0	9	9	9	9	9
5306 - Postage	0	2	2	2	2	2
5320 - Travel: In-State	0	3	3	3	3	3
5322 - Training	0	3	3	3	3	3
5324 - Facilities Operation	0	12	12	12	12	12
5326 - Utilities	0	3	3	3	3	3
5340 - Consulting and Professional Services - External	0	365	195	195	195	195
5340 - Consulting and Professional Services - Interdepartmental	0	45	45	45	45	45
5344 - Consolidated Data Centers	0	3	3	3	3	3
5368 - Non-Capital Asset Purchases - Equipment	0	30	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$489</b>	<b>\$289</b>	<b>\$289</b>	<b>\$289</b>	<b>\$289</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$850</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>
<b>Fund Summary</b>						
Fund Source - State Operations						
8101 - California ABLE Administrative Fund	0	850	650	650	650	650
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$850</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$850</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>

## Program Summary

Program Funding

0895 - California ABLE Act Board

**Total All Programs**

0	850	650	650	650	650
<b>\$0</b>	<b>\$850</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>	<b>\$650</b>

## Personal Services Details

## Salary Information

Positions	Min	Mid	Max	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
0080 - Executive Director (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
4800 - Staff Svcs Mgr I (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
<b>Total Positions</b>				<b>0.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
Salaries and Wages	<b>CY</b>	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>	<b>BY+3</b>	<b>BY+4</b>			
0080 - Executive Director (Eff. 07-01-2016)	0	122	122	122	122	122			
4800 - Staff Svcs Mgr I (Eff. 07-01-2016)	0	72	72	72	72	72			
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)	0	62	62	62	62	62			
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$256</b>	<b>\$256</b>	<b>\$256</b>	<b>\$256</b>	<b>\$256</b>			
Staff Benefits									
5150350 - Health Insurance	0	20	20	20	20	20			
5150450 - Medicare Taxation	0	4	4	4	4	4			
5150500 - OASDI	0	15	15	15	15	15			
5150600 - Retirement - General	0	64	64	64	64	64			
5150800 - Workers' Compensation	0	2	2	2	2	2			
<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$105</b>	<b>\$105</b>	<b>\$105</b>	<b>\$105</b>	<b>\$105</b>			
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$361</b>	<b>\$361</b>	<b>\$361</b>	<b>\$361</b>	<b>\$361</b>			

## Analysis of Problem

### A. Budget Request Summary

Chapter 774, Statutes of 2015 (AB 449, Irwin), signed by the Governor on October 11, 2015 created the California Achieving a Better Life Experience Act (ABLE Act), which conforms the Personal Income Tax Law to the ABLE Act, thereby allowing individuals and families to save private funds for the purpose of supporting persons with disabilities by maintaining their health, independence, and quality of life.

Chapter 796, Statutes of 2015 (SB 324, Pavley), signed by the Governor on October 11, 2015 establishes the Achieving a Better Life Experience Act Board (Board) and the California ABLE Program Trust for the purpose of creating a statewide program known as the Qualified ABLE Program (Program).

In an effort to implement this high priority legislation, the Board requests the establishment of and corresponding funding for the following two positions:

- (1) One Staff Services Manager I (SSMI) Position.
- (2) One Associate Governmental Program Analyst (AGPA) Position.

Additionally, the Board requests funding for:

- (1) One Executive Director Position, established by AB 449.
- (2) Funding for External Consulting/Contract Services.

Pursuant to AB 449, funding for startup and administrative costs for the Board shall be provided in the form of a loan from the General Fund "sufficient to cover the Board's projected administrative costs for its first two years of implementing the program". The projected administrative cost for the program's first two years of operation is \$1,500,000. Once the loan has been expended and revenues from the program are sufficient to cover the Board's ongoing costs, the loan shall be repaid, within five years, the amount loaned, plus interest calculated at the rate earned by the Pooled Money Investment Account (PMIA).

### B. Background/History

On December 19, 2014, President Obama signed the Stephen Beck Jr., Achieving a Better Life Experience Act of 2014, which allows individuals who became blind or disabled before reaching age 26, to create tax-free savings accounts. ABLE accounts generally follow the same rules as 529s: individuals can make nondeductible cash contributions to an ABLE account in the name of a specified beneficiary, and with tax-free earnings. ABLE account distributions are also not included in the beneficiary's income, as long as they are used for qualified services for the beneficiary and distributions do not exceed the cost of those services.

The ABLE Act directs states to establish one ABLE account for each beneficiary who is a resident of the state. The ABLE Act additionally directs the IRS to issue regulations by June 19, 2015, and implement the program to guide states as they enact legislation creating ABLE accounts. AB 449 implements the ABLE Act in California, and directs the State Treasurer to administer ABLE accounts on behalf of qualified Californians.

The ABLE Act, for taxable years beginning on or after January 1, 2015, encourages and assists individuals and families to save private funds for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life by excluding from gross income distributions used for qualified disability expenses by a beneficiary of a Qualified ABLE Program established and maintained by a state, as specified.

SB 324 establishes the Achieving a Better Life Experience Act Board and the California ABLE Program Trust for the purpose of creating a statewide program known as the Qualified ABLE Program. Under the Qualified ABLE Program, a person may make contributions for a taxable year, for the benefit of an

## Analysis of Problem

individual who is an eligible individual for that taxable year, to an ABLE account that is established for the purpose of meeting the qualified disability expenses of the designated beneficiary of the account.

### C. State Level Considerations

AB 449 and SB 324 establish in state government the ABLE program trust for purposes of implementing the federal ABLE act.

The federal ABLE Act encourages and assists individuals and families to save private funds for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life by excluding from gross income distributions used for qualified disabled expenses by a beneficiary of a Qualified ABLE program established and maintained by a state, as specified.

The federal ABLE Act is, in part, modeled after 529 educational savings accounts. The two primary benefits of 529 educational savings accounts is that funds placed in the account grow tax-free and distributions, when made for qualifying educational expenses, are federal and state income tax-free. The exclusion for earnings and distributions from taxes is the primary incentive for saving in a 529 educational account.

The federal ABLE Act empowers disabled individuals and their families to save their own money in a 529A (or ABLE) account for the purpose of maintaining health and independence with a goal of allowing those individuals to transition away from government assistance and benefits.

### D. Justification

Chapter 774, Statutes of 2015 (AB 449, Irwin), signed by the Governor on October 11, 2015 created the California Achieving a Better Life Experience Act, which conforms the Personal Income Tax Law to the ABLE Act, thereby allowing the creation of ABLE accounts in California and ensuring that ABLE account earnings and distributions for qualified services are not included in the eligible individual's income for state tax purposes. Chapter 796, Statutes of 2015 (SB 324, Pavley), signed by the Governor on October 11, 2015 establishes the Achieving a Better Life Experience Act Board (Board) and the California ABLE Program Trust for the purpose of creating a statewide program known as the Qualified ABLE Program.

The author of AB 449, Irwin, provides the following justification in support of the Program:

*"In California many people with disabilities and their families depend on a variety of public benefits for income, health care, food and housing assistance provided by the state and federal government. There are strict eligibility requirements for public benefits, such as Supplemental Security Income/State Supplementary Payment (SSI/SSP), CalFresh and Medi-Cal, which often don't allow an individual to have more than \$2,000 in savings. To remain eligible for these public benefits, an individual cannot save for the future.*

*The ABLE Act recognizes the extra and significant costs of living with a disability. These include costs related to raising a child with significant disabilities or a working age adult with disabilities, for accessible housing and transportation, personal assistance services, assistive technology and health care not covered by insurance, Medicaid or Medicare.*

*Eligible individuals and families will be allowed to establish ABLE savings accounts that will not affect their eligibility for SSI, Medicaid and other public benefits. The legislation explains further that an ABLE account will, with private savings, "secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, Medicaid, SSI, the beneficiary's employment and other sources." However, pursuant to federal law once an ABLE account reaches \$100,000 SSI benefits are suspended until the balance goes below that amount.*

*Specifically, the bill will give eligible Californians with disabilities access to federally recognized 529A ABLE accounts. Eligibility is federally defined as entitlement to benefits based on blindness or disability under the Federal Social Security Act that occurred before the date on which the individual reached 26 years of age. The California ABLE program will be*

## Analysis of Problem

*administered by the State Treasurer, who also administers 529 college savings accounts. AB 449 will provide people with disabilities and families raising a child with disabilities an opportunity to save money without being penalized with loss of public social services."*

### Staffing Justification

In order to ensure timely and effective administration of the program, the Board is requesting funding for the following positions:

#### 1. Executive Director (ED)

- Develop program, including the development of policies, regulations, procedure, controls, forms, and data transfer requirements.
- Enter into contracts on behalf of the board or conduct any business necessary for the efficient operation of the board.
- Oversee/assist with Request for Proposal (RFP)/Contract development.
- Market program to residents of the State of California.
- Conduct meetings/outreach with prospective applicants.
- Report to the Board and assist in the hiring process and supervise staff's work.
- Act as liaison for the Board and other government agencies.

#### 2. Staff Services Manager I (SSMI)

Under the direction of the Executive Director of the Board, this position will exercise independent judgment and oversight of the program. This position will:

- Assist in program development, including the development of policies, regulations, procedure, controls, forms, and data transfer requirements.
- Assist with Request for Proposal (RFP)/Contract development.
- Assist with marketing the program to residents of the State of California.
- Manage the newly developed program and report to the Executive Director of the Board.
- Assist in the hiring process and supervise staff's work.
- Budget/Fiscal oversight.
- Website development and oversight.
- Act as liaison for the Board and other government agencies.

#### 3. Associate Governmental Program Analyst (AGPA)

Under the direction of the Staff Services Manager I, this position will exercise independent judgment and oversight of the program. This position will:

- Assist with preparing and providing technical information to Board professional staff, other state agencies, and the Legislature, concerning the Program.
- Assist the Executive Director and Staff Services Manager I with program development, including the development of policies, regulations, procedure, controls, forms, and data transfer requirements.
- Assist with marketing the program to residents of the State of California.
- Assist with website development.

### Program Justification

- Funding for External Consulting/Contract Services; the Board, in the interest of expediency, proposes to contract with an outside firm to provide immediate expertise in the area of regulation development, and application development and review.

## Analysis of Problem

Pursuant to AB 449, funding for startup and administrative costs for the Board shall be provided in the form of a loan from the General Fund "sufficient to cover the Board's projected administrative costs for its first two years of implementing the program". The projected administrative cost for the first two years of operation is \$1,500,000. Once the loan has been expended and revenues from the program are sufficient to cover the Board's ongoing costs, the loan shall be repaid, within five years, the amount loaned, plus interest calculated at the rate earned by the Pooled Money Investment Account (PMIA).

### E. Outcomes and Accountability

#### Outcome

The implementation of this program will 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.

#### Accountability

SB 324 requires that the board:

- Report to the Franchise Tax Board (FTB) an annual listing of distributions to individuals with respect to an interest in an ABLE account at a time and in a manner and form as specified by FTB.
- Shall develop adequate safeguards to prevent aggregate contributions on behalf of a designated beneficiary in excess of the maximum contribution limits necessary to provide for the qualified disability expenses of the designated beneficiary.
- Shall report annually to each designated beneficiary the value of the designated beneficiary's account, the interest earned thereon, the rate of return of the investments in the designated beneficiary's account for that reporting period, information on investments and qualified disability expenses that designated beneficiaries can use to set savings goals and contribution amounts.
- Provide a means for designated beneficiaries to express concerns or comments regarding the ABLE program trust.

### F. Analysis of All Feasible Alternatives

Alternative #1: Approve the Board's request for a General Fund loan of \$1,500,000 to fund initial start-up and administration costs for one (1) ED, one (1) SSMI, one (1) AGPA, and funding for External Consultants/Contract Services. Approval of this request will provide the Board the resources necessary for the effective implementation of the legislative mandated Qualified ABLE Program authorized by AB 449 and SB 324.

Alternative #2: Deny the Board's request for a General Fund loan of \$1,500,000 to fund initial start-up and administration costs for one (1) ED, one (1) SSMI, one (1) AGPA, and funding for External Consultants/Contract Services. Denial of this request would result in the Board's inability to implement the legislative mandated Qualified ABLE Program authorized by AB 449 and SB 324.

### G. Implementation Plan

The ABLE Act Board will recruit and hire staff in July of 2016 and begin implementation of the Qualified ABLE Program.

## Analysis of Problem

### H. Supplemental Information

Please see Attachment 1 for Budget Bill Language.

### I. Recommendation

Alternative #1 is recommended.

ATTACHMENT 1

0981-001-8101—For support of the California ABLE Act Board..... 850,000

Schedule:

(1) 0895- California ABLE Act Board.....850,000

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0981-011-0001—For transfer by the Controller, upon order of the Department of Finance, from the General Fund to the California ABLE Administrative Fund..... (850,000)

Provision:

1. The Department of Finance may transfer up to \$850,000 as a loan to the California ABLE Administrative Fund to implement the California ABLE Act program. This loan shall be repaid once sufficient revenue is available, but no later than June 30, 2022, with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer.