

SB 163 STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

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Meeting Dates: 5/29, 5/31

WHAT THE MEASURE DOES:

Authorizes the Oregon 529 Savings Board, within the State Treasury, to collect application, account, or administrative fees to defray the costs of the Achieving a Better Life Experience (or ABLÉ) program. Takes effect 91 days after the Legislative Assembly adjourns *sine die*.

ISSUES DISCUSSED:

- Fiscal impact

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The ABLÉ program is a tax-free, state-based savings account to pay for disability-related expenses, enabling participants to save money without jeopardizing their eligibility for critical state and federal benefits. In 2014, Congress passed the ABLÉ Act of 2014, allowing states to create tax-free savings accounts for individuals with disabilities. ABLÉ accounts are intended to supplement benefits provided through Medicaid, Supplemental Security Income, private insurance, employment, and other sources. SB 777 (2015) authorized the Oregon 529 Savings Board to create a qualified ABLÉ program in Oregon, which it did in 2016. The ABLÉ program began with a General Fund loan, which is to be repaid with future program fees.

The measure would permit the Oregon 529 Savings Board to collect fees for applications, accounts, or administration to defray the costs of the ABLÉ program. Currently, the Oregon 529 Savings Board collects ABLÉ-related fees by administrative rule, but does not have explicit statutory authority to do so. The measure would grant the Oregon 529 Savings Board explicit statutory authority to collect these fees. Because the Oregon 529 Savings Board already collects these fees, the measure would not result in new fees or a fee increase.

Under the program, the Oregon 529 Savings Board contracts with a third-party plan administrator. The plan administrator collects a flat fee per account and a percentage fee of the assets under management from participants each month, which it then remits to the State Treasurer. The State Treasurer charges \$35 per account/per year and 30-38 basis points (i.e., a unit of percentage measure equal to 0.01 percent) for the assets under management, depending on the investment option chosen by the account owner. Of that, the Oregon 529 Savings Board takes \$8 and 20 basis points annually to cover the state's operational costs and the plan administrator takes \$27 and 10 basis points annually to cover its administrative and investment management costs. The additional basis points (up to 8) are paid to the underlying fund participants for use in their investments. Account owners pay the associated fees. The \$35 annual account fee is divided into quarterly payments. The 30-38 basis points, which are also paid quarterly, are calculated daily and reflected in the daily NAV (net asset value). Fees are set by the Oregon 529 Savings Board. The ABLÉ program currently administers approximately \$10 million in assets for over 2,000 accounts, according to the State Treasurer.