



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

TREASURY DIVISION

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January 18, 2022

Alaska Senate Secretary Liz Clark
Alaska House Chief Clerk Crys Jones

Dear Secretary Clark and Chief Clerk Jones:

In accordance with AS 06.65.350, the Department of Revenue (DOR) is required to evaluate the Alaska ABLÉ program each year and “submit an annual report containing the evaluation to the Senate Secretary and Chief Clerk of the House of Representatives on or before the first day of each regular session of the legislature and shall notify the legislature that the report is available.”

Background

The Federal Achieving a Better Life Experience (ABLE) Act was enacted in 2014 to allow people with disabilities to save money for future expenses in a tax-deferred 529A account without having to give up eligibility for public benefits, such as Medicaid and Social Security Insurance (SSI), as long as the funds are spent toward qualified disability expenses.

In April 2016, Alaska joined the National ABLÉ Alliance (Alliance), after DOR determined the Alliance was the most cost efficient and beneficial solution. The Alaska ABLÉ bill was then signed into law in July of 2016. The Alaska Mental Health Trust Authority provided funding of \$60,000 in FY17 and \$40,000 in FY18 to help design the ABLÉ program and perform marketing and outreach to the community of Alaskans that would benefit from the program.

The Alliance issued a request for proposal in June 2016 and Ascensus College Savings Recordkeeping Services (ACS) was selected to be the program manager in August of 2016. Alaska played a significant role in the procurement and implementation effort. Alaska was one of two states in the then eleven (now nineteen) state Alliance that implemented its ABLÉ program prior to the end of December 2016, thereby providing an opportunity for individuals to save an additional \$14,000 that year without jeopardizing their eligibility for Medicaid and SSI benefits.

Program Description

The program allows annual deposits into ABLÉ accounts up to a set amount (currently \$16,000 for the tax year) to be used for qualified disability expenses. Passage of the

ABLE to Work Act in 2017 permits additional contributions above the \$16,000 limit, up to the poverty line amount for a one-person household (currently \$16,090 in Alaska for 2021). Account balances are limited to \$400,000 and balances of \$100,000 or less are excluded from SSI resource limits.

Additional Federal legislation in 2017 that positively impacted ABLE program accounts and their owners include the:

- ABLE Financial Planning Act which allows transfers from 529 College Savings Accounts to ABLE accounts without incurring any tax or penalty, and
- Saver’s Credit which provides a special credit of up to \$2,000 for contributions to ABLE accounts to be used to reduce taxes owed or increase refund amounts.

Accounts can be opened online or by paper. Withdrawals are also easily made online as well as by paper form, telephone, debit card, or check. ACS has a call center that fields inquiries about specific accounts and general ABLE information. The Alliance states were instrumental in designing most aspects of the program including the Plan Disclosure Statement which is updated annually:

<http://cdn.unite529.com/jcdn/files/UABLE/pdfs/ak-programdescription.pdf>.

The plan provides six investment choices, ranging from Conservative to Aggressive options, and an FDIC-insured checking account option with a debit card. The program is designed so participant accounts pay for the cost of the plan. Each account is charged an account maintenance fee of \$15 per quarter which can be discounted for email delivery of statements and confirmations. Annualized investment costs range from 0.34% to 0.37% depending on which investment options are selected.

A chart of the quarterly and annual performance for each investment option, with hyperlinks to a description of each option, is available at:

<https://ak.savewithable.com/akabletpl/fund/quarterEndPerformance.cs>

Additional information about the program can be found on the Alaska ABLE program website at: <https://savewithable.com/ak/home.html>

Program Status and Future Plans

The table below reflects the growth of the program accounts for the past 5 years.

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Funded Accounts	94	240	365	546	787
Total Ending Assets	\$395,771	\$1,124,837	\$2,314,254	\$4,264,413	\$7,066,437
Total Annual	\$28,741	\$312,150	\$444,147	\$443,674	\$846,879
Average Account	\$4,210	\$4,687	\$6,340	\$7,810	\$8,724

The Governor's Council on Disabilities and Special Education (Council) has continued its outreach and marketing efforts to educate the Alaskan public about the Alaska ABLE program. The Council has made many presentations, which included information about ABLE, to various entities that provide services to individuals with disabilities, as well as their family members. Due to the pandemic and cancelation of in-person events from March 2020 forward, the Council adapted its outreach efforts to a fully virtual format which included robust social media postings and emails about the Alaska ABLE program.

The Council has an icon on its main page linking stakeholders to the Alaska ABLE program and also features the resource prominently in the Alaska Transition Handbook: <http://dhss.alaska.gov/gcdse/Documents/TransitionsHandbook.pdf>. This resource was distributed through Council networks and partner networks statewide. Additionally, the Council worked with the Alaska Mental Health Trust Authority and other partners to develop an Empowerment Through Employment guide for Alaskans with disabilities: <http://dhss.alaska.gov/gcdse/Documents/EmpowermentThroughEmployment.pdf>. The Alaska ABLE program is covered on page 6 of this resource and was publicized statewide throughout the pandemic to best support Alaskans with disabilities relating to their employment goals.

The growth of funded accounts is a testament to the Council's outreach efforts. ABLE is still a new program for a community concerned with protecting the benefits it receives, and the growth of the program will take time. Continued outreach by the Council as well as word of mouth from ABLE plan participants will educate and encourage additional program participants.

The potential population of eligible participants remains unclear. In its current construct, the program is estimated to serve up to 5,000 Alaskans. However, this number (and total program savings) could increase if the federal legislation introduced before Congress as the ABLE Age Adjustment Act is adopted, as it would increase the disability onset age from 26 to 46.

Evaluation Summary

The Council reports that the program continues to receive positive comments from account owners, who indicate the website is user-friendly, and that the call center is responsive and useful. ACS regularly polls Alliance account owners and recently reported that of 1,100 national survey respondents, over 90% said they would recommend the plan to others.

Legislative changes to conform to federal legislation, such as the rollovers from 529 College Savings accounts mentioned above, are contemplated in HB133. However, omitted from this legislation is the transfer of the program to the Department of Health and Social Services which was contemplated in previous legislation to allow for better interactions with constituents.

The Alaska ABLE program continues to have no specific state funding source. As a result, program monitoring, implementation of tax reform changes, and marketing and outreach efforts continue to be provided through the existing budgets of the DOR, the Council, and other divisions and organizations that serve individuals with disabilities.

The Alaska ABLE program has had another successful year. As compared to the prior year, in 2021, funded accounts increased by 44% and investment assets increased by 66% while participants continued to utilize savings to pay for qualified disability expenses, as intended.

I would be glad to discuss any questions you might have.

Sincerely,



Pamela Leary
Treasury Division
Department of Revenue

cc: Lucinda Mahoney, Commissioner, Department of Revenue
Brian Fechter, Deputy Commissioner, Department of Revenue
Myranda Walso, Acting Executive Director, Governor's Council on Disabilities and
Special Education