

2001 DRAFTING REQUEST

Bill

Received: 10/03/2000

Received By: mlief

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Geisler

This file may be shown to any legislator: NO

Drafter: mlief

May Contact:

Alt. Drafters:

Subject: Higher Education - miscellaneous

Extra Copies: PG

Pre Topic:

DOA:.....Geisler -

Topic:

Changes to college tuition and expenses and college savings programs

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	mlief 10/05/2000	hhagen 10/10/2000	martykr 10/11/2000	_____	lrb_docadmin 10/11/2000		State

FE Sent For:

<END>

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/P1	mlief	1/10 jld	2/11	2/10 2/10 2/10			

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<END>

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
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Date: September 28, 2000
To: Steve Miller, LRB
From: Jeffrey A. Geisler, DOA
266-1805
Subject: Budget Drafts of State Treasurer Statutory Language

I'm forwarding several statutory language changes that the Office of the State Treasurer included with its budget submission.

✓ 1. Unclaimed Property Law Changes

The attached draft (0109/P1) should be converted to a budget draft.

2. EdVest Changes

→ Please see the attached drafting instructions.

3. State Treasurer Salary Changes

The attached draft (0266/1) should be converted to a budget draft.

Thanks.

Drafting Details for EDVEST Legislative Changes

A. Restructuring of Appropriations

1. Streamlining of Appropriations -- Currently, there are separate appropriations for payment of tuition and for payment of refunds. These funds can be tracked through separate numerics within one appropriation, which would streamline the Chapter 20 structure.

20.285(2)(g) -- Change title to "College tuition and expenses program -- Payment of tuition and refunds." The chapter 20 narrative could read "From the tuition trust fund, a sum sufficient for the payment of eligible higher education expenses and refunds under s.14.63 (5) and (7)."

repeal (r)

2. Tracking of College Savings Program Funds -- Currently, there is no way to track, on the state "books", the stream of revenues and payouts for the new college savings program. The State Controller's Office supports creating such a tracking mechanism.

20.285(2)(f) -- Change title to "College savings program -- Payment of tuition and refunds." The chapter 20 narrative should read "From the tuition trust fund, a sum sufficient for the payment of eligible higher education expenses and refunds under s.14.64 (2) and (3)."

3. Administrative Expenses Accounting -- The current Chapter 20 structure makes accounting difficult for administrative costs for the college savings program, especially since many costs will be shared with the college tuition and expenses program. Combining the costs of both programs in one appropriation would simplify accounting, and funds for each program will be tracked in a unique numeric.

20.285(2)(s) -- Chapter 20 narrative should read "From the tuition trust fund, the amounts in the schedule for the administrative expenses of the college tuition and expenses and college savings programs under s.14.63 and s.14.64, including the expense of promoting the programs."

AM 25.80

B. Other Issues

1. Repayment of Debt/Admin Flexibility -- Currently, only Tuition Trust funds may be used to repay the program's start-up loan to the general fund. It has always been intended that the college savings program contribute to the repayment of this debt. Merging the College Savings Program into the Tuition Trust Fund would facilitate this goal, and will also streamline accounting of administrative funds as described above.

Amend s.25.80 by adding "and revenue from the college savings program under s.14.64." And, amend s.14.63(10(b) to clarify that SWIB does not administer the college savings program portion of the trust fund.

]

keep (rs) but amend it

2. “Ten-Year Rule” -- Currently, we must close an account if funds are not used within 10 years of the original projected date of the beneficiary’s college enrollment. [s.14.63(6)(b), 14.64(3)(e)]. Now that funds can be used for graduate expenses, and with an anticipated increase in non-traditional students who may take longer to graduate, these provisions should be made permissive rather than mandatory. [“may” rather than “shall terminate”].

3. Parallel language structure – Change the statutes to provide parity between the original EDVEST program and the new College Savings part of the program:

Allow persons to open an EDVEST account on behalf of anyone.
Currently, the original EDVEST program has restrictions [s.14.63(3)4b],
but the College Savings program does not [s.14.64(3)(a)(2)]

Note: There is interest among charitable donors, foundations and corporations to make donations that would ultimately be used as a scholarship or contribution to a recipient in the form of an EDVEST account. We would want this language to allow for that.



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-0616/P1

MJL:.....

LPS: Fit request sheet

mkh
JLH

DOA:.....Geisler - Changes to college tuition and expenses and college savings program S

X

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

do not gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

EDUCATION ✓

HIGHER EDUCATION ✓

Under current law, the college tuition and expenses program (popularly known as "EdVest") allows a person to purchase "tuition units" that can later be used to pay college tuition, room, board, and related expenses on behalf of the purchaser himself or herself, the purchaser's child or legal guardian, or, if the purchaser is a trust, the beneficiary of the trust. The college savings program, designed to complement EdVest, allows a person, including a charitable organization, to make contributions to a college savings account to pay the college expenses of a named beneficiary or an unnamed, future recipient of a scholarship account established by the charitable organization.

EdVest is administered by the state treasurer, while the college savings program is administered by a college savings board (board) that must contract with a private vendor for the investment of the contributions to the college savings accounts. Both a college tuition and expenses or college savings account must be closed if the funds in the account are not used within ten years of the original projected date of the beneficiary's or recipient's enrollment.

This bill allows a person to purchase tuition units on behalf of any named beneficiary, allows a charitable organization to open an EdVest scholarship account

for an unnamed, future recipient, and permits, but does not require, the state treasurer or the board to close a college tuition and expenses or college savings account if the account's funds are not used within ten years of the original projected date of the beneficiary's or recipient's enrollment. The bill also requires any revenue generated by either program (including contributions and distributions) to pass through the state treasury and permits revenues generated from EdVest or college savings program enrollment fees and fees paid by the college savings program vendor to be used to defray the administrative costs of either program. Finally, the bill makes some technical changes to improve accounting of EdVest and college savings program moneys.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 14.63 (3) (a) of the statutes is repealed and recreated to read:

2 14.63 (3) (a) An individual, trust, legal guardian, or entity described under 26
3 USC 529 (e) (1) (C) may enter into a contract with the state treasurer for the sale of
4 tuition units on behalf of a beneficiary.

****NOTE: This amendment deletes the requirement that a beneficiary be named in the contract in order to allow charitable organizations to establish EdVest scholarship accounts on behalf of unnamed, future recipients or beneficiaries. The state treasurer may wish, by rule, to specify that EdVest accounts established by individuals, trust, or legal guardians must name a beneficiary in the contract. Also, I assumed that charitable organizations are able to specify the anticipated academic year of the scholarship recipient's initial enrollment. If they are not able to do so, then s. 14.63 (3) (b) will need to be amended.

5 **SECTION 2.** 14.63 (6) (b) of the statutes is amended to read:

6 14.63 (6) (b) The state treasurer shall may terminate a contract under sub. (3)
7 if any of the tuition units purchased under the contract remain unused 10 years after
8 the anticipated academic year of the beneficiary's initial enrollment in an institution
9 of higher education, as specified in the contract.

History: 1995 a. 403; 1997 a. 27, 158; 1999 a. 9 ss. 52 to 62; Stats. 1999 s. 14.63; 1999 a. 44.

10 **SECTION 3.** 14.64 (1) (a) of the statutes is amended to read:

1 14.64 (1) (a) "Account owner" means ~~an individual~~ a person who establishes a
2 college savings account under this section.

History: 1999 a. 44.

 ****NOTE: This technical amendment is necessary because the definition of
"account owner" was intended to include charitable organizations that set up scholarship
accounts.

3 **SECTION 4.** 14.64 (3) (e) of the statutes is amended to read:

4 14.64 (3) (e) The board ~~shall~~ may terminate a college savings account if any
5 portion of the college savings account balance remains unused 10 years after the
6 anticipated academic year of the beneficiary's initial enrollment in an eligible
7 educational institution.

NOTE: NOTE: Sub. (3) is created eff. 2-1-01 by 1999 Wis. Act 44. NOTE:

History: 1999 a. 44.

8 **SECTION 5.** 20.585 (2) (am) of the statutes is amended to read:

9 20.585 (2) (am) *Administrative expenses for college savings program; general*
10 *fund.* The amounts in the schedule for the initial administrative expenses of the
11 college savings program under s. 14.64, including the expense of promoting the
12 program.

History: 1971 c. 125; 1973 c. 334; 1975 c. 270; 1977 c. 29; 1977 s. 418 ss. 160, 192; 1979 c. 221, 328; 1981 c. 20; 1983 a. 408; 1985 a. 29; 1989 a. 31; 1991 a. 39; 1993
a. 16; 1995 a. 27 ss. 1074m, 1079m, 1080m, 1126g to 1139r; 1995 a. 201; 1997 a. 27; 1999 a. 9 ss. 587, 597m; 1999 a. 44.

13 **SECTION 6.** 20.585 (2) (~~am~~) of the statutes is created to read:

14 20.585 (2) (~~am~~) *College savings program; investments.* From the tuition trust
15 fund, all moneys received as contributions under s. 14.64 for investment by the
16 vendor under s. 16.255 (2).

NOTE: BUD

17 **SECTION 7.** 20.585 (2) (q) of the statutes is amended to read:

18 20.585 (2) (q) *Payment of tuition.* From the tuition trust fund, a sum sufficient
19 for the payment of tuition under s. 14.63 (5) and (7).

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20 **SECTION 8.** 20.585 (2) (r) of the statutes is repealed.

21 **SECTION 9.** 20.585 (2) (s) of the statutes is amended to read:

1 20.585 (2) (s) *Administrative expenses; tuition trust fund.* From the tuition
2 trust fund, the amounts in the schedule for the administrative expenses of the college
3 tuition and expenses program under s. 14.63 and for the ongoing, administrative
4 expenses of the college savings program under s. 14.64, including the expense of
5 promoting the ~~program~~ programs.

History: 1971 c. 125; 1973 c. 334; 1975 c. 270; 1977 c. 29; 1977 c. 418 ss. 160, 192; 1979 c. 221, 328; 1981 c. 20; 1983 a. 408; 1985 a. 29; 1989 a. 31; 1991 a. 39; 1993 a. 16; 1995 a. 27 ss. 1074m, 1079m, 1080m, 1126g to 1139r; 1995 a. 201; 1997 a. 27; 1999 a. 9 ss. 587, 597m; 1999 a. 44.

6 **SECTION 10.** 20.585 (2) (t) of the statutes is created to read:

7 20.585 (2) (t) *College savings program; payment of tuition and refunds.* From
8 the tuition trust fund, a sum sufficient for the payment of eligible higher education
9 expenses and refunds under s. 14.64 (2) and (3).

10 → NOTE: BUD x
 SECTION 11. 25.80 of the statutes is amended to read:

11 **25.80 Tuition trust fund.** There is established a separate nonlapsible trust
12 fund designated as the tuition trust fund, consisting of all revenue from enrollment
13 fees and the sale of tuition units under s. 14.63, from enrollment fees for and
14 contributions to college savings accounts under s. 14.64, and from distributions and
15 fees paid by the vendor under s. 16.255 (2).

History: 1995 a. 403; 1999 a. 9.

16

(END)



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-0616/P1
MJL:hmh&jld:km

DOA:.....Geisler – Changes to college tuition and expenses and college savings programs

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

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SECTION 9

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