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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

1997-98

(session year)

Senate

(Assembly, Senate or Joint)

Committee on Education...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (December 2012)

Moved by Senator Darling, seconded by Senator Shibilski, that
LRBa1480/1 be recommended for introduction and adoption.

Ayes: (8) Senator C. Potter, Jauch (by polling),
Shibilski, Grobschmidt, Darling, Huelsman,
Roessler and Fitzgerald (by polling).
Noes: (0) None.
Absent: (0) None.

INTRODUCTION AND ADOPTION RECOMMENDED, Ayes 8,
Noes 0, Absent 0

Moved by Senator Darling, seconded by Senator Shibilski, that
Assembly Bill 595 be recommended for concurrence as amended.

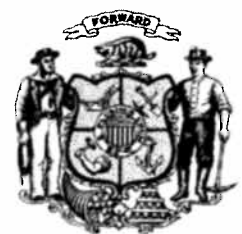
Ayes: (8) Senators C. Potter, Jauch (by polling),
Shibilski, Grobschmidt, Darling, Huelsman,
Roessler and Fitzgerald (by polling).
Noes: (0) None.
Absent: (0) None.

CONCURRENCE AS AMENDED RECOMMENDED, Ayes 8,
Noes 0, Absent 0

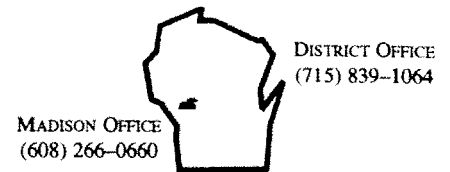
Paul Rusk
Committee Clerk



WISCONSIN STATE LEGISLATURE



ROB KREIBICH
STATE REPRESENTATIVE
NINETY THIRD ASSEMBLY DISTRICT



CHAIR: ASSEMBLY COMMITTEE ON COLLEGES AND UNIVERSITIES

January 23, 1998

Senator Calvin Potter
Martin Luther King Building
Room 407

Dear Senator Potter:

I am writing to you regarding my prepaid tuition bill, AB-595, which I have referred to your committee. It would be deeply appreciated if a possible hearing on this bi-partisan, non-controversial issue be done as quickly as possible.

If you have any questions, feel free to contact my office. Thank you.

Sincerely,

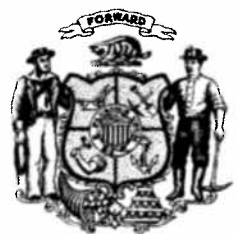


ROB KREIBICH
State Representative
93rd Assembly District

RGK:acc



WISCONSIN STATE LEGISLATURE



AB595 Testimony to the Senate Education Committee
February 25, 1998

Marty Olle
EDVEST WISCONSIN Program Manager
Department of Administration

Good morning Chairman Potter and members of the committee, my name is Marty Olle, I'm the Program Manager for the EDVEST WISCONSIN program, and I'm happy to be here to speak in support of AB595, which makes several modifications to the EDVEST program. Before I begin, I'd like to briefly bring the Committee up to date on the status of the program.

EDVEST WISCONSIN is managed by the Department of Administration in conjunction with the State Investment Board. It provides a safe, structured yet flexible way for parents and grandparents to prepare for the future higher education tuition expenses of their children. With this program, Wisconsin joins 20 other states in offering a prepaid tuition or college savings plan. The 29 remaining states either have pending legislation or are studying the feasibility of a program.

We've assembled a staff of just 4 FTE to operate the program and have developed a sophisticated database system to track all participants and their tuition unit purchases over time. The program began full operation on July 1 of last year. We planned for moderate growth initially to give ourselves a chance to work out any operational or technical problems and are now offering full service to participants and those interested in the program. We currently have nearly 500 accounts and \$1.3 million invested to date, and our marketing program is underway.

The marketing effort includes a rotation of print ads in newspapers and periodicals which match our target audience; distribution of program materials through school districts to students in grades k-8; personal appearances at conventions and informational sessions; a toll-free telephone service and a home page on the internet [with >3300 visits!]. Also under discussion is television and radio advertising, which has proven successful in other states with similar programs. We're in the final stage of selecting a marketing and promotion firm to help increase public awareness of the EDVEST program.

When the program was first created it was anticipated that some "fine tuning" of the statutes would be needed as the program got underway. Several items merit immediate attention and are contained in AB595 before you at this time. Using the LRB bill summary order, they are:

1 & 2. Purchaser Eligibility. Expands the definition of purchasers to include trusts, legal guardians and persons (children or adults) who wish to purchase on behalf of themselves. Current law is limited to only parents and grandparents.

3. Cost of Attendance. Clarifies the term "cost of attendance" as including both tuition and mandatory student fees. Gives participants the flexibility to purchase tuition units to cover tuition only or tuition plus fees.

4. Value of payments and refunds. Clarifies that the department, in those instances when a participant redeems tuition units earlier or later than the year specified in the purchase contract, may calculate the value of the tuition units to reflect actual earnings on the investment.

5. Penalties. Allows the Department to change or establish penalties imposed on various program refunds as needed in order to retain the program's status as a "Qualified State Tuition Program", under which federal income tax on program earnings is deferred. Under federal tax law, in order to qualify, a program must impose what the IRS calls a "more than *de-minimus*" penalty on withdrawals from tuition programs for purposes other than payment of tuition or death or disability of the student. The IRS

has not yet issued guidance regarding what constitutes a "more than *de-minimus*" amount, so we are unable to establish whether our present structure is adequate. It does seem clear, however, that we need to impose a penalty in certain situations where present law indicates a full refund is available.

The investment contract developed for the program has anticipated that the State may need to change the applicable penalty and has language that preserves the option of the State to make those changes in the future.

The deferral of federal income tax is a key element of the program's appeal and we feel it is essential to preserve this benefit.

6. Open Records Exemption. The EDVEST WISCONSIN program would like to assure a certain amount of privacy regarding the financial records of participants. The concern is that beneficiary and purchaser account information may currently be subject to public records rules unless a specific exemption is granted.

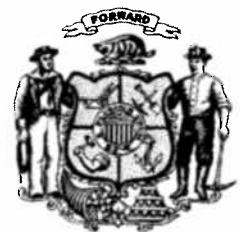
7. Definition of Contracts. The language describing contracts in the statutes says that DOA shall "contract with an individual for the sale of tuition units to that individual...." It then goes on to say that "the department may not enter into more than one contract on behalf of the same beneficiary." This suggests that only one purchaser may participate on behalf of a child/beneficiary. We don't think it was legislative intent to limit purchases for a beneficiary to only one parent or grandparent. To accommodate current law we use a master contract and underlying "purchaser's agreements" structure, with each parents' and grandparents' purchases linked to that child's master contract. It would be cleaner, though, to amend the statutes to clarify the language.

It should be noted that this change will not affect the statutory maximum number of tuition units allowed to be purchased for a given child.

Governor Thompson supports these changes to the program and in fact, has proposed, in his budget adjustment bill, expanding the program's eligibility to also allow aunts and uncles to purchase tuition units on behalf of a niece or nephew. We feel that the changes in AB595 are reasonable and necessary and would increase the appeal and operations of the EDVEST WISCONSIN program. I'll be happy to answer any questions you may have at this time. Thank you.



WISCONSIN STATE LEGISLATURE



EDVEST
WISCONSIN

**A New Way To
Save For
College Tuition
Expenses**



Tommy G. Thompson, Governor

How does the program work?

Parents and/or grandparents can open an EDVEST WISCONSIN account and purchase "tuition units" on behalf of a child beneficiary. There is an enrollment fee of \$50 per purchaser per account. The price of a tuition unit, plus investment earnings over time, is expected to equal one percent of the projected average annual cost of tuition at University of Wisconsin campuses in the year of its anticipated use.

(100 units = one year's tuition.) Up to four year's worth of tuition units may be purchased on behalf of each child. Additional units to cover mandatory student fees are offered on an optional basis. The price of a unit will depend primarily on anticipated tuition levels and expected investment returns available to the program at the time of purchase. Once purchased, however, the price and future value of an acquired unit will not change.

When the beneficiary enters college, the units are redeemed toward tuition at the chosen higher education institution. Payout amounts are based on the tuition estimates made at the time of purchase, which may be higher or lower than the actual tuition at the chosen school. All refunds are made to the purchaser.

Eligibility

Either the parent, grandparent or child beneficiary must be a Wisconsin resident to open an EDVEST WISCONSIN account. Tuition units must be purchased at least four years prior to the expected year of use. For example, tuition units for a child's junior year of college should be purchased prior to her/his junior year in high school.

Eligible Schools

The EDVEST WISCONSIN program may be used at public and private colleges, universities, technical colleges and vocational schools nationwide. Although the cost and maturity value of tuition units are based on expected tuition levels at University of Wisconsin campuses, the proceeds may be used at any eligible school.

A message from Governor Tommy Thompson



The Wisconsin Legislature and I established EDVEST WISCONSIN as a flexible new way for families to prepare for future higher education expenses. Through the program, parents and grandparents can

purchase tuition units on behalf of a child beneficiary and apply them in the future toward undergraduate tuition at educational institutions nationwide.

The program offers flexible purchase options so that participants can buy tuition units at a pace that fits their family budget. The future payout amount of the tuition units is established at the time of each purchase so that participants can evaluate the program against other potential investments. We trust you will find EDVEST WISCONSIN to be a convenient, safe, achievable way to provide for a child's future education.

Governor

Why worry now about paying for higher education?

- Higher education costs are one of the largest expenses most families will face.
- College tuition rose nationally at a rate three times faster than median household income over the past 15 years.
- Families are finding that the traditional "pay-as-you-go" method of financing is no longer workable.
- Taking action now can reduce the uncertainty of financial aid availability when your child or grandchild is ready for higher education.

EDVEST WISCONSIN participation does not guarantee admission to an institution of higher education or qualify the beneficiary for student tuition status.

Eligible Costs

EDVEST WISCONSIN tuition units may be redeemed toward the cost of undergraduate tuition and mandatory student fees. Room and board and other educational costs are not covered by the program.

Tuition Unit Pricing and Use

Tuition unit prices will change on a periodic basis, due to changes in expected investment returns available to the program, as well as anticipated tuition levels, program costs and actuarial expectations. To the extent possible, the price will be set so that the value of a unit in the anticipated year of its use will be approximately 1% of the average University of Wisconsin System tuition for that year. For example, at the "average" UW campus, 100 units is estimated to cover one year's tuition.

Upon enrollment at an institution of higher education, the beneficiary may redeem tuition units as needed for tuition and fees.

If the actual tuition is more than the estimated amount, the beneficiary will be responsible for the difference.

If actual tuition is less than the value of the tuition units purchased, a refund will be available (see "Refunds" section).

Purchase Options and Goals

Tuition units may be acquired year-round through lump sum purchase, periodic purchase by check or by

Tuition Expenses

monthly "auto-transfer" from a checking or savings account. Payroll deduction (using after-tax dollars) is now available through participating employers.

Participants choose a savings goal determined by the current age of the child and the type of plan chosen. There are three plans available, based on the estimated future cost of attendance at Wisconsin public universities. The payout amount may be applied toward tuition and fees at any eligible public or private institution. For those interested in making regular purchases, there is a suggested monthly amount for each plan.

Tax Issues

Tuition unit purchases are made with "after-tax" dollars. Investment earnings through the program are exempt from Wisconsin state income tax. Federal income tax on investment earnings is deferred until funds are withdrawn, after which the recipient is taxed at his or her rate.

The recently enacted Taxpayer Relief Act of 1997 allows certain qualifying taxpayers to use the proceeds of an EDVEST WISCONSIN account for purposes of the HOPE and Lifetime Learning federal tax credits. The credits under the HOPE program can be as much as \$1,500 per year for the first two years of college and as much as \$2,000 per year under the Lifetime Learning credit. Please note that future changes to tax law could affect the treatment of EDVEST WISCONSIN accounts.

Refunds

Full refunds with earnings will be available in the event of the beneficiary's receipt of certain scholarships or upon the death or permanent disability of the beneficiary. A penalty, required under federal tax law, will apply to other types of refunds including failure of the beneficiary to pursue education beyond high school, gain admission to a higher education institution, or complete a program of instruction. The penalty will also apply to redemption of unused tuition units upon college graduation. All refunds are made to the initial purchaser of tuition units.



**How is EdVEST WISCONSIN administered?
Is my investment safe?**

EDVEST WISCONSIN is managed by the Department of Administration, with investment services provided by the State Investment Board. Each beneficiary has an individual account although all funds are pooled together as a separate, nonlapsible Tuition Trust Fund to minimize transaction costs, optimize investment yields and maintain safety of principal. All investments carry some level of risk, and any risk associated with EDVEST WISCONSIN will be properly disclosed prior to purchase. An annual report by an independent actuarial firm guides the program's investment planning and evaluates whether program assets are adequate to meet future obligations.

The program is reported as part of the State of Wisconsin general purpose financial statements, which are audited annually. The redemption value of tuition units is made available at the time of each purchase and participants will receive periodic information as to the status of funds and the program in general.



Contact us today for an application packet!

Mail:

EDVEST WISCONSIN Program
P.O. Box 7864
Madison, Wisconsin 53707-7864

Telephone:

Madison area: 608-264-7899
Others call toll-free: 1-888-338-3789

E-mail: edvest@mail.state.wi.us

Internet: www.doa.state.wi.us/debf/edvest.htm

**EDVEST
WISCONSIN**