FISCAL ESTIMATE FORM **1999 Session**

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

LRB # LRB-4141/2
INTRODUCTION # SB 332
Admin. Rule #

Subject **Amends current college savings program (Edvest) and creates a college savings program board, college savings program, grants rule-making authority and creates an appropriation.**

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected: ☐ Towns ☐ Villages ☐ Cities ☐ Counties ☐ Others _____ ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

LRB 4141/2 expands the current college savings program administered by the Office of the State Treasurer and creates a second college savings program. Changes to the current college savings program (Edvest) include a repeal of the residency requirements for purchasers and beneficiaries of tuition units; permission for the state treasurer to eliminate the enrollment fee; and authorization for tuition units to be redeemed to cover the costs of room and board, books, supplies and equipment required for college enrollment.

The current program (Edvest) is identified in state statute as a tuition prepayment plan, however, according to federal guidelines its functions are more closely aligned with a college savings plan. This distinction is important for students who apply for federal financial aid.

The expansion of the current savings program (Edvest) will have no financial impact on the University of Wisconsin System.

The new college savings program created by LRB 4141/2 is statutorily similar to the Edvest program with the exception that state agencies, UW System institutions or campuses or technical colleges would be prohibited from including the balance of a college savings account in the calculation of a beneficiary's eligibility for state financial aid for higher education. UW institutions currently use federal financial aid formulas and reporting documents to calculate state financial aid awards, eliminating the need for duplicative processing systems and staff and for applicants to complete and file additional forms. This bill would require UW System institutions to modify current financial aid computer systems and software, create separate state financial aid forms, mail these forms to all Wisconsin financial aid applicants, and hire additional staff to administer a separate state financial aid formula and process. This will likely result in increased computer expenditures and ongoing printing, postage and labor costs. These costs are estimated at $140,000 for start-up activities and $210,000 on going.

Federal financial aid rules require that applicants disclose college savings account assets and that those assets are included when determining federal financial aid eligibility and awards. This law will not change that requirement. Federal financial aid rules exempt home equity, qualified retirement funds, and a lump sum of general assets from calculating federal financial aid awards. The size of that lump sum exemption increases with the age of the oldest parent. For example, a family with a parent who is 45 years old can protect $45,000 in additional assets versus $48,400 for a family with a parent who is 50 years old. College savings accounts are considered part of the lump sum exemption and will not impact a student's federal or state financial aid as long as they and other non exempt assets do not exceed the maximum exemption level. According to federal policy, assets above this level may signal a greater ability to pay for college and therefore begin to reduce financial aid awards.

Long-Range Fiscal Implications:

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To the extent that this language increases the pool of financial aid applicants that are eligible for state financial aid and state financial aid appropriations remain unchanged, this bill would reduce state financial aid awards to individuals.

Because federal financial aid policy also limits the amount of federal aid that can be provided to students based on the level of funding received from non federal resources, some students may experience a reduction in federal aid equal to the amount of the increase in state aid due to the state exemption of college savings account assets.

The median family income for dependent students receiving a Wisconsin Higher Education Grant in 1998-99 was $22,257 while the median income for an independent student was $10, 244.

(UWS)(01/11/2000)