

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-5348/1	Introduction Number AB-0974
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Description
 Creating a 401Kids savings program and the 401Kids savings program trust fund; granting rule-making authority; and making an appropriation

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By ETF/ Tarna Hunter (608) 267-0908	Authorized Signature Pam Henning (608) 267-2929	Date 2/24/2022
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Fiscal Estimate Narratives

ETF 2/24/2022

LRB Number	21-5348/1	Introduction Number	AB-0974	Estimate Type	Original
Description Creating a 401Kids savings program and the 401Kids savings program trust fund; granting rule-making authority; and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a savings program (401Kids) and trust fund which provides a \$25 savings account for every child born or adopted in WI after the effective date of the bill.

The bill creates appropriations under 20.515 and provides \$1 million GPR annually for initial program funding. The bill also provides that the state will be reimbursed for administrative costs related to the program. Over time, the program is intended to become cost neutral to the state.

ETF is responsible for, among other things, the following duties:

- Establishing and administering a 401Kids savings program (ETF can do this in-house or contract with a vendor).
- Establishing investment guidelines for contributions to and the earnings on 401Kids savings accounts.
- Paying distributions from 401Kids savings accounts for qualified expenses according to specific statutory criteria.
- Ensuring that, if the department changes vendors, the balances of 401Kids savings accounts are promptly transferred into investment instruments as similar to the original investment instruments as possible.
- Conducting public outreach and fundraising to generate donations for the 401Kids savings program.
- Developing a plan, after the program is fully operational, that allows ETF to devote revenues generated under the program to fund the establishment of future 401Kids savings.

The department may not expend any moneys from the public employee trust fund for its activities related to the 401Kids program.

Establishing the program and carrying out these requirements will necessitate funding for the savings accounts, funding for an outside vendor to administer the program, additional ETF staff and funding to provide general program administration and vendor oversight. Carrying out the requirements of the bill will likely require the use of consultants, actuaries, and other financial and legal professionals to assist with the needs analysis and plan design, as well as providing communication and marketing services during this process.

The bill will require ETF to incur several categories of costs, as follows:

1. Funding 401Kids accounts. The program requires ETF to create a 401Kids account for every child born or adopted in Wisconsin. ETF must deposit \$25 into each account. According to available data provided by the Wisconsin Department of Health and the Casey Family Programs, there are approximately 65,000 children born or adopted in Wisconsin annually. Assuming these numbers remain consistent in future years, there would be an annual cost of \$1,625,000 to fund the savings accounts.
2. Recordkeeping, account and website maintenance, statements to participants, and other program tasks. The bill permits ETF to contract with a vendor to administer the day-to-day recordkeeping including account data (contact information, investment options, beneficiary designations, quarterly statements); Enrollment/signup; all education, marketing and communication activities (in-person, virtual, live and recorded,

print, etc.); website and call center; and processing transactions – contributions to accounts and then distributions, including tax withholdings. These are specialized functions not related to ETF's current programs or mission. ETF anticipates that it will contract with an outside vendor that specializes in record keeping functions for financial institutions and others that administer similar account-based programs.

The recordkeeping services may be similar to the recordkeeping contracts for the state's Edvest program and the Wisconsin Deferred Compensation program, which are approximately \$2 million annually.

3. General Program Administration and Vendor Oversight. ETF will need qualified staff to oversee and direct vendor performance, coordinate and share information with other state agencies and stakeholders, address questions of participants and the general public, conduct annual audits of the program, conduct other required financial reporting, develop a plan to devote revenues generated under the program to fund the establishment of future savings accounts and ensure all aspects of the program are being administered correctly. ETF is prohibited from using staff or resources that are funded by the public employee trust fund.

ETF estimates these duties will require a minimum of three qualified FTE to administer the various components of the program, including a Director, Policy Analyst and Trust Funds Specialist. Below are the estimated annual salary, fringe and supply costs for these positions:

- Trust Funds Director: \$139,600
- Policy Analyst: \$99,500
- Trust Fund Specialists Advanced: \$97,400

- Total Annual FTE Costs: \$336,500

Additionally, ETF will need program funding for costs related to audits, consultants and other program support. These costs need additional research, but preliminary estimates range from \$50,000 - \$100,000.

Long-Range Fiscal Implications