

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>23-5630/1</b>	<b>Introduction Number</b> <b>SB-0950</b>
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**Description**  
 creating a WisKids savings account program within the college savings program and making an appropriation

**Fiscal Effect**

**State:**

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

**Local:**

<input type="checkbox"/> No Local Government Costs	<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Indeterminate	<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	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.144(3)(th) and creation of 20.144(3)(ti)

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DFI/ Michael Trepanier (608) 572-4914	Michael Trepanier (608) 572-4914	2/9/2024

## Fiscal Estimate Narratives

DFI 2/9/2024

LRB Number	23-5630/1	Introduction Number	SB-0950	Estimate Type	Original
<b>Description</b> creating a WisKids savings account program within the college savings program and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The proposed legislation would create a new program ("WisKids") requiring the Department of Financial Institutions, which administers the state's college savings program, to establish a state-owned college savings program account and to contribute at least \$25 to the account for each child subsequently born or adopted in the state. The Department may accept additional contributions on behalf of WisKids participants, as well. The Department must track the principal and earnings attributable to each participating child, which can later be used by the participant prior to age 28 to help pay for qualified higher education expenses. For purposes of this legislation, the term "qualified higher education expenses" includes tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible postsecondary education institution or registered apprenticeship program, as well as the repayment of educational loans.

The legislation proposes to finance WisKids by utilizing the existing college savings program trust fund, which is funded by administrative fees established by the college savings program board and imposed on college savings program accounts. To ensure that the costs of the WisKids program do not affect the operations or financial stability of the college savings program, the legislation requires the college savings program board to utilize experts to determine (and review every two years) the minimum balance of the trust fund that must be maintained to meet the reasonably anticipated needs of the college savings program. If the trust fund balance falls below that amount, the Department must suspend making WisKids deposits until the trust fund balance is sufficiently restored.

By utilizing this funding structure, the legislation would not impose any new obligations upon the state's general fund. Implementation would require one new position and certain additional expenditures from the college savings program trust fund, however, as follows:

\*Account deposits. Based on available data, the Department estimates that approximately 65,000 children per year are born or adopted in Wisconsin. Therefore, assuming the Department makes the minimum required deposit of \$25 for each eligible child, the WisKids program would require a total of \$1,625,000 per year for children's deposits. The Department notes that state and national birth rates have been trending downward in recent years, so this financial obligation may be reduced over time if those trends persist.

\*Parental notices. The bill requires the Department to provide parents of eligible participants with information about the program and the opportunity to opt out. The Department anticipates that it would send this information by mail to the addresses provided in birth records from the Department of Health Services. Again assuming 65,000 new participants per year, the Department estimates that it would cost approximately \$81,000 per year to send this information.

\*Trust fund expert analysis. As noted above, the legislation requires the college savings program board to utilize experts to determine (and review every two years) the minimum balance of the trust fund that must be maintained to meet the reasonably anticipated needs of the college savings program. The Department estimates that the initial expert analysis may cost between \$20,000 and \$75,000, depending on whether the board utilizes its current outside expert firm for this function or seeks to retain one or more opinions from other experts. The Department anticipates that the costs to biennially review and update this analysis would be lower than the cost to carry out the initial analysis.

\*Recordkeeping and administrative platform. At maturity, the program would have several hundred thousand participants, and therefore implementation will require a state-of-the-art recordkeeping system tailored to this purpose. Based on the solutions chosen by comparable programs in other states, the Department estimates that it could contract with a vendor to provide such a system for approximately \$41,000 per year, plus a one-time set-up cost of approximately \$45,000.

\*Branding/website/marketing costs. To increase awareness and utilization of the WisKids program and help

attain the intended impact, the Department anticipates developing a logo, website, branded informational materials, and other means of engaging and educating participants and potential donors to the program. Based on efforts in other states, the Department estimates an upfront marketing cost of \$75,000 to \$150,000, plus annual marketing expenditures of \$50,000 to \$100,000.

\*Departmental oversight, administration, coordination and outreach. The program will require human oversight and administration, as well, including outreach to participants and their parents and potential donors to the program, oversight of vendors and systems, coordination with eligible educational institutions and apprenticeship programs, and coordination with the college savings program, which may see its participation rates increase as WisKids increases parents' awareness of educational savings vehicles more broadly. The Department anticipates that these and other administrative tasks relating to the WisKids program would require one additional college savings program finance officer position, with an estimated annual salary of \$54,787, fringe benefits of \$21,125, and travel and training costs of \$20,000 (primarily in-state travel for outreach purposes).

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> creating a WisKids savings account program within the college savings program and making an appropriation		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  Trust Fund Expert Analysis: \$25,000 - \$75,000 Recordkeeping and Administrative Platform: \$45,000 Branding/Website/Marketing Costs: \$75,000 - \$150,000 Total Range: \$145,000 - \$270,000		
<b>II. Annualized Costs:</b>		
	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$75,900	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs	1,867,000	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$1,942,900</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	1,942,900	
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$1,942,900	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DFI/ Michael Trepanier (608) 572-4914		2/9/2024
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