



## 1995 ASSEMBLY BILL 1011

March 13, 1996 - Introduced by Representatives KREIBICH, SKINDRUD, PROSSER, JENSEN, KLUSMAN, BRANCEL, FREESE, GREEN, UNDERHEIM, NOTESTEIN, BOYLE, WASSERMAN, BRANDEMUEHL, SILBAUGH, KELSO, KRUSICK, HANDRICK, ALBERS, SPRINGER, SERATTI, HARS DORF, GUNDERSON, HUEBSCH, HAHN, HUTCHISON, OLSEN, GARD, PLOMBON, F. LASEE, VRAKAS, AINSWORTH, WARD, NASS, LADWIG, LEHMAN, ZUKOWSKI, PORTER, LORGE, MUSSER, MEYER, POWERS and HOVEN, cosponsored by Senators DARLING, RUDE, SCHULTZ, PANZER, BUETTNER, DRZEWIECKI, ZIEN, FITZGERALD and FARROW. Referred to Committee on Colleges and Universities.

1     **AN ACT to amend** 25.14 (1); and **to create** 16.24, 20.505 (9), 25.17 (1) (vm), 25.80  
2             and 815.18 (3) (o) of the statutes; **relating to:** establishing a college tuition  
3             prepayment program, granting rule-making authority and making an  
4             appropriation.

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### *Analysis by the Legislative Reference Bureau*

This bill creates a college tuition prepayment program, to be administered by the department of administration (DOA). Under the bill, upon the payment of a \$50 enrollment fee, an individual may contract with DOA to purchase tuition units from DOA on behalf of a beneficiary named in the contract. Either the individual or the beneficiary must be a Wisconsin resident, and the beneficiary must be the child or grandchild of the individual. The cost of each tuition unit is determined by DOA, set so as to ensure the ability of DOA to meet its obligations under the program. To the extent possible, however, the cost must be an amount that, in the academic year in which the beneficiary intends to enroll in an accredited institution of higher education, is equal to 1% of the weighted average tuition of bachelor's degree-granting institutions within the University of Wisconsin (UW) System. When the beneficiary enrolls in an accredited institution of higher education in the United States, each tuition unit purchased on his or her behalf entitles the beneficiary to apply toward tuition at the institution an amount equal to 1% of the weighted average tuition of bachelor's degree-granting institutions within the UW System in that academic year. DOA must pay that amount or the amount of tuition, whichever is less, to the institution.

The bill specifies circumstances under which a contract may be terminated and provides for refunds to the individual who purchased the tuition units if the contract is terminated or if less than 100% of the tuition units purchased on behalf of a beneficiary are used by that beneficiary. The bill prohibits DOA from entering into more than one contract on behalf of the same beneficiary. The bill directs DOA to

actively promote the college tuition prepayment program and authorizes DOA to contract with any person for the management and operation of the program or any part of the program.

Finally, the bill creates a segregated fund, called the tuition trust fund, consisting of all revenue from the sale of tuition units and from enrollment fees.

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

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

1           **SECTION 1.** 16.24 of the statutes is created to read:

2           **16.24 College tuition prepayment program. (1) DEFINITION.** In this  
3 section, “institution of higher education” means a public or private institution of  
4 higher education that is accredited by an accrediting association recognized by the  
5 department, and a proprietary school approved by the department of education  
6 under s. 38.51.

7           **(2) WEIGHTED AVERAGE TUITION; TUITION UNIT COST.** Annually, the department  
8 shall determine all of the following:

9           (a) The weighted average tuition of bachelor’s degree-granting institutions  
10 within the University of Wisconsin System for the academic year that begins on or  
11 after the first day of August of the current year. The amount shall be calculated as  
12 follows:

13           1. For each such institution, multiply the tuition charged a full-time  
14 undergraduate who is a resident of this state by the number of full-time equivalent  
15 resident undergraduates attending the institution.

16           2. Add the products under subd. 1.

17           3. Divide the sum under subd. 2. by the total number of full-time equivalent  
18 resident undergraduates attending such institutions.

1           (b) The price of a tuition unit, which shall be valid for a period determined by  
2 the department. The price shall be sufficient to ensure the ability of the department  
3 to meet its obligations under this section. To the extent possible, the price shall be  
4 an amount that in the anticipated academic year of its use will be equal to 1% of the  
5 weighted average tuition determined under par. (a) for that academic year plus the  
6 costs of administering the program under this section attributable to the unit.

7           **(3) TUITION PREPAYMENT CONTRACTS.** (a) Except as provided under par. (c), the  
8 department shall contract with an individual for the sale of tuition units to that  
9 individual if all of the following apply:

10           1. The individual pays a \$50 nonrefundable enrollment fee.

11           2. The individual is purchasing the tuition units on behalf of a beneficiary  
12 named in the contract.

13           3. The individual or the beneficiary is a resident of this state when the contract  
14 is executed.

15           4. The beneficiary is the child or grandchild of the individual.

16           (b) The contract shall specify the anticipated academic year of the beneficiary's  
17 initial enrollment in an institution of higher education.

18           (c) The department may not enter into more than one contract on behalf of the  
19 same beneficiary.

20           **(4) NUMBER OF TUITION UNITS PURCHASED.** An individual who enters into a  
21 contract under sub. (3) may purchase tuition units at any time and in any number,  
22 except that the total number of tuition units purchased on behalf of a single  
23 beneficiary may not exceed the number necessary to pay for 4 years of full-time  
24 attendance as a resident undergraduate at the institution within the University of

1 Wisconsin System that has the highest resident undergraduate tuition, as  
2 determined by the department in the anticipated academic years of their use.

3 **(5) PAYMENT OF TUITION.** (a) If an individual named as beneficiary in a contract  
4 under sub. (3) attends an institution of higher education in the United States, each  
5 tuition unit purchased on his or her behalf entitles that beneficiary to apply toward  
6 the payment of tuition at the institution an amount equal to 1% of the weighted  
7 average tuition of bachelor's degree-granting institutions within the University of  
8 Wisconsin System for the year of attendance, as determined under sub. (2) (a).

9 (b) Upon request by the beneficiary, the department shall pay to the institution  
10 in each semester of attendance the lesser of the following:

11 1. An amount equal to the value of each tuition unit, as determined under par.  
12 (a), multiplied by the number of tuition units purchased on behalf of the beneficiary  
13 and not used.

14 2. An amount equal to the institution's tuition for that semester.

15 **(6) TERMINATION OF CONTRACT.** (a) A contract under sub. (3) may be terminated  
16 by the individual entering into the contract if any of the following occurs:

17 1. The beneficiary dies or is permanently disabled.

18 2. The beneficiary graduates from high school but is unable to gain admission  
19 to an institution of higher education after a good faith effort.

20 3. The beneficiary attended an institution of higher education but involuntarily  
21 failed to complete the program in which he or she was enrolled.

22 4. The beneficiary is at least 18 years old and one of the following applies:

23 a. The beneficiary has not graduated from high school.

24 b. The beneficiary has decided not to attend an institution of higher education.

1 c. The beneficiary attended an institution of higher education but voluntarily  
2 withdrew without completing the program in which he or she was enrolled.

3 5. Other circumstances determined by the department to be grounds for  
4 termination.

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

9 **(7) REFUNDS.** (a) When a beneficiary completes the program in which he or she  
10 is enrolled, if the beneficiary has not used all of the tuition units purchased on his  
11 or her behalf, the department shall refund to the individual who entered into the  
12 contract an amount equal to 1% of the weighted average tuition in the academic year  
13 in which the beneficiary completed the program, as determined under sub. (2) (a),  
14 multiplied by the number of tuition units purchased by the individual and not used  
15 by the beneficiary.

16 (b) If a contract is terminated under sub. (6) (a) 1., 2. or 3., the department shall  
17 refund to the individual who entered into the contract an amount equal to 1% of the  
18 weighted average tuition in the academic year in which the contract is terminated,  
19 as determined under sub. (2) (a), multiplied by the number of tuition units purchased  
20 by the individual and not used by the beneficiary.

21 (c) If a contract is terminated under sub. (6) (a) 4. or (b), the department shall  
22 refund to the individual who entered into the contract an amount equal to 99% of the  
23 amount determined under par. (b). If a contract is terminated under sub. (6) (a) 4.,  
24 the department may not issue a refund for one year following receipt of the notice of  
25 termination and may not issue a refund of more than 100 tuition units in any year.

1 (d) If a contract is terminated under sub. (6) (a) 5., the department shall refund  
2 to the individual who entered into the contract the amount under par. (b) or under  
3 par. (c), as determined by the department.

4 (e) If the beneficiary is awarded a scholarship, tuition waiver or similar subsidy  
5 that cannot be converted into cash by the beneficiary, the department shall refund  
6 to the individual who entered into the contract, upon his or her request, an amount  
7 equal to the value of the tuition units that are not needed because of the scholarship,  
8 waiver or similar subsidy and that would otherwise have been paid by the  
9 department on behalf of the beneficiary during the semester in which the beneficiary  
10 is enrolled.

11 (f) Except as provided under par. (c), the department shall determine the  
12 method and schedule for the payment of refunds under this subsection.

13 **(8) EXEMPTION FROM GARNISHMENT, ATTACHMENT AND EXECUTION.** Moneys  
14 deposited in the tuition trust fund and a beneficiary's right to the payment of tuition  
15 under this section are not subject to garnishment, attachment, execution or any  
16 other process of law.

17 **(9) CONTRACT WITH ACTUARY.** The department shall contract with an actuary or  
18 actuarial firm to evaluate annually whether the assets in the tuition trust fund are  
19 sufficient to meet the obligations of the department under this section and to advise  
20 the department on setting the price of a tuition unit under sub. (2) (b).

21 **(10) REPORTS.** (a) Annually, the department shall submit a report to the  
22 governor, and to the appropriate standing committees of the legislature under s.  
23 13.172 (3), on the program under this section. The report shall include any  
24 recommendations for changes to the program that the department determines are

1 necessary to ensure the sufficiency of the tuition trust fund to meet the department's  
2 obligations under this section.

3 (b) The department shall submit a quarterly report to the state investment  
4 board projecting the future cash flow needs of the tuition trust fund. The state  
5 investment board shall invest moneys held in the tuition trust fund in investments  
6 with maturities and liquidity that are appropriate for the needs of the fund as  
7 reported by the department in its quarterly reports. All income derived from such  
8 investments shall be credited to the fund.

9 **(11) CONSTRUCTION.** Nothing in this section guarantees an individual's  
10 admission to, retention by or graduation from any institution of higher education.

11 **(12) ADDITIONAL DEPARTMENT DUTIES AND POWERS.** (a) The department shall do  
12 all of the following:

13 1. Annually publish a list of the institutions of higher education located in this  
14 state and the number of tuition units necessary to pay for one year of full-time  
15 attendance as a resident undergraduate at each institution.

16 2. Actively promote the program under this section.

17 3. Promulgate rules to implement and administer this section.

18 (b) The department may contract with any person for the management and  
19 operation of the program or any part of the program under this section.

20 **SECTION 2.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert  
21 the following amounts for the purposes indicated:

22 **1995-96**      **1996-97**

23 **20.505 Administration, department of**

24 (9) COLLEGE TUITION PREPAYMENT PROGRAM

**1995-96                      1996-97**

1	(a) Administrative expenses; initial				
2	funds	GPR	A	-0-	-0-
3	(s) Administrative expenses	SEG	A	-0-	-0-

4           **SECTION 3.** 20.505 (9) of the statutes is created to read:

5           20.505 (9) COLLEGE TUITION PREPAYMENT PROGRAM. (a) *Administrative expenses;*  
6           *initial funds.* The amounts in the schedule for the administrative expenses of the  
7           college tuition prepayment program under s. 16.24, including the expense of  
8           promoting the program. No funds may be expended from this appropriation after  
9           June 30, 1997.

10           (q) *Payment of tuition.* From the tuition trust fund, a sum sufficient for the  
11           payment of tuition under s. 16.24 (5).

12           (r) *Payment of refunds.* From the tuition trust fund, a sum sufficient for the  
13           payment of refunds under s. 16.24 (7).

14           (s) *Administrative expenses.* From the tuition trust fund, the amounts in the  
15           schedule for the administrative expenses of the college tuition prepayment program  
16           under s. 16.24, including the expense of promoting the program.

17           **SECTION 4.** 25.14 (1) of the statutes is amended to read:

18           25.14 (1) There is created a state investment fund under the jurisdiction and  
19           management of the investment board (hereinafter referred to as "board") to be  
20           operated as an investment trust for the purpose of managing the securities of all the  
21           state's funds consisting of the funds specified in s. 25.17 (1) except the state life fund,  
22           fixed retirement investment trust, variable retirement investment trust, capital  
23           improvement fund, bond security and redemption fund, state building trust fund, the

1 state housing authority reserve fund, the children's trust fund, the patients  
2 compensation fund, the tuition trust fund, funds which under article X of the  
3 constitution are controlled and invested by the board of commissioners of public  
4 lands, funds which are required by specific provision of law to be controlled and  
5 invested by any other authority, the university trust funds and the trust funds of the  
6 state universities except that the respective authorities controlling the investment  
7 of any such excluded fund may authorize the transfer of any temporary cash assets  
8 of any such excluded fund to the state investment fund in accordance with subs. (2)  
9 and (3).

10 **SECTION 5.** 25.17 (1) (vm) of the statutes is created to read:

11 25.17 (1) (vm) Tuition trust fund (s. 25.80).

12 **SECTION 6.** 25.80 of the statutes is created to read:

13 **25.80 Tuition trust fund.** There is established a separate nonlapsible trust  
14 fund designated as the tuition trust fund, consisting of all revenue from enrollment  
15 fees and the sale of tuition units under s. 16.24.

16 **SECTION 7.** 815.18 (3) (o) of the statutes is created to read:

17 815.18 (3) (o) *Tuition units.* Tuition units purchased under s. 16.24.

18 **SECTION 8. Effective date.**

19 (1) This act takes effect on July 1, 1996.

20 (END)