



## Legislative Fiscal Bureau

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March 30, 2006

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 1153/Senate Bill 661: Establishment of a College Savings Program Bank Deposit Trust Fund and a Credit Union Deposit Trust Fund

On March 7, 2006, Senate Bill 661 (SB 661) was introduced in the Senate and was referred to the Senate Committee on Higher Education and Tourism. On March 24, 2006, the bill was withdrawn from that Committee and was referred to the Joint Committee on Finance. On March 27, 2006, Assembly Bill 1153 (AB 1153) was introduced in the Assembly and was referred to the Joint Committee on Finance. Both bills are identical and would establish a college savings bank deposit trust fund and a credit union deposit trust fund.

The state's college savings program (EdVest) is administered by the State Treasurer's Office. Under the program, an individual, trust, or legal guardian may establish a college savings account to cover the cost of tuition, fees, room and board, books, supplies, and equipment required for the enrollment or attendance at an eligible educational institution of a designated beneficiary. The program currently offers 13 investment options: 10 fixed allocation options with investments in specific portfolios with varying investment objectives, and three enrollment-based options that differ based on an individual's investment time horizon and growth objectives. Revenue from enrollment fees for and contributions to college savings accounts, and from distributions and fees paid by the vendors of these accounts are part of the college savings program trust fund, a separate nonlapsible trust fund.

### **SUMMARY OF BILLS**

Under AB 1153/SB 661, individuals would be able to invest monies with the EdVest program in certificates of deposit (CDs) held in banks or credit unions that are federally insured. Specifically, AB 1153/SB 661 would establish a college savings program bank deposit trust fund.

This new trust fund would consist of: (1) all revenue from enrollment fees for and contributions to college savings accounts in which the investment instrument (a CD) is an account held by a state or national bank, a state or federal savings bank, a state or federal savings and loan association, or a savings and trust company with a main, home, or branch office located in Wisconsin and that is insured by the Federal Deposit Insurance Corporation; and (2) all revenue from distributions and fees paid by the vendors of those investment instruments.

The bills would also establish a separate college savings program credit union deposit trust fund. This new trust fund would consist of: (1) all revenue from enrollment fees for and contributions to college savings accounts in which the CD is held in an account by a state or federal credit union, including a corporate central credit union, with a main, home, or branch office located in Wisconsin and that is insured by the National Credit Union Administration; and (2) all revenue from distributions and fees paid by the vendors of those investment instruments. Monies in these new trust funds would be under the management and control of the selected vendor.

The bills would create four SEG appropriations under the State Treasurer's Office: (1) a sum sufficient appropriation for the payment of qualified higher education expenses and refunds from the college savings program bank deposit trust fund; (2) an annual appropriation for the payment of administrative expenses from the college savings program bank deposit trust fund; (3) a sum sufficient appropriation for the payment of qualified higher education expenses and refunds from the college savings program credit union deposit trust fund; and (4) an annual appropriation for the payment of administrative expenses from the college savings program credit union deposit trust fund. The bills do not provide any funding under either of the new administrative expenses appropriations. In addition, no expenditure estimate is provided under either of the new higher education expenses sum sufficient appropriations.

The provisions of AB 1153/SB 661 would enable the College Savings Program Board to implement a CD investment option. The CD option was initially discussed by the Board on March 24, 2005. In a section of the 2005 EdVest annual report (*Recommended Program Improvements*), the Board indicated that it "is considering adding a federally-insured certificate of deposit "EdVest CD option" for conservative investors or those with a short-term investment horizon. The EdVest CD option would invest in Wisconsin banks and financial institutions and would be administered in a manner similar to the other investment options offered by the program." If enacted, the CD option under AB 1153/SB 661 would not become available to investors until it was approved by the Board. The implementation of this option requires the establishment of separate statutory trust funds so that the monies invested in CDs are not commingled with any other types of investments, in conformance with federal regulations.

## **FISCAL EFFECT**

While four SEG appropriations are created under the bills, no funding is provided. Revenues to and expenditures from the newly-established trust funds would be dependent on the amount of

investment activity generated by the new EdVest investment options. Once sufficient reserves were present in the new trust funds, any administrative expenses could be appropriated from those amounts. Such an action, if required, would likely be addressed in future biennial budget deliberations. The payment of any educational expenses from the new trust funds would be made, as required, through the new sum sufficient appropriations.

Fiscal notes were submitted by both the Department of Administration and the State Treasurer's Office. In both cases, the agencies indicated that there would be no immediate state fiscal effect.

Prepared by: Jere Bauer