



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #443

### **Wisconsin Health Education Assistance Loan Repayment Transfer (Higher Educational Aids Board)**

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#### **CURRENT LAW**

The Wisconsin Health Education Assistance Loan Program (WHEAL) provided financial assistance to medical and dental students attending health professional schools in the state from 1979 through 1987. The WHEAL program was funded through the sale of student loan revenue obligation bonds and health education assistance revenue obligation bonds. During 2003-04, the latest year for which complete data are available, WHEAL borrowers paid HEAB a total of \$445,659 in principal and interest. Current monthly WHEAL repayments are approximately \$7,000.

HEAB administers the WHEAL repayment program and is responsible for collecting the loans. Segregated funds provided through WHEAL repayments support 0.64 SEG position with annual funding of \$76,600.

#### **GOVERNOR**

No provision.

#### **DISCUSSION POINTS**

1. WHEAL revenue bonds were issued by the state during the early and mid-1980s to make funds available to full-time medical and dental students. During the 1985-87 biennium, HEAB made its last loans under the WHEAL program although it retains responsibility of collecting the loans, which may continue until the year 2015. The bonds related to these loans have been repaid; based on a review by the Legislative Audit Bureau (LAB) the current outstanding balance of student loans is approximately \$600,000.

2. As identified by the LAB, the current WHEAL repayment account balance is \$906,000. The LAB has recommended that the bank account for WHEAL loan repayments be closed and that the loan repayments should be deposited directly to the State's working bank. In addition, the LAB recommended the transfer of \$906,000 from the WHEAL account balance to the general fund with all future loan repayments treated as revenue to the general fund.

3. The segregated funds provided through WHEAL repayments support 0.64 SEG position with annual funding of \$76,600 annually provided in AB 100. Currently, HEAB allocates the funding and position authority related to the segregated funds among three employees that handle WHEAL related items. Supplies and services funding is utilized for WHEAL administrative costs including mainframe time, credit bureau fees, and a portion of the agency's office costs. If the funding and position authority were removed, the management of the remaining WHEAL loans would need to be accommodated through the 9.86 GPR funded positions and funding for operations remaining under HEAB, after a proposed reduction of 0.5 GPR position under AB 100.

4. According to HEAB staff, the funding and position authority related to the segregated funding are important for the continued management of WHEAL loans and for the support provided for other programs through the funding given the agency's small size and existing staff level. As an alternative, the Committee could convert the 0.64 SEG position and annual funding of \$76,600 to GPR in order to provide funding and position authority to fully staff HEAB.

5. In order to continue to provide segregated funding and position authority for HEAB to administer the outstanding WHEAL accounts, the Committee could retain the segregated funding and position authority provided under AB 100 during the 2005-07 biennium and require the HEAB to transfer \$850,000 to the general fund in 2005-06 of the available balance of funds related WHEAL repayments. HEAB staff estimate that WHEAL repayments will fall below the amount necessary to support the budgeted segregated fees in 2006-07; this alternative would retain an account balance of \$56,000 with principal and interest collected during the 2005-07 biennium (an estimated \$48,000 per year) continuing to fund \$76,600 annually for 0.64 SEG position and related supplies and services if WHEAL repayments fall below the budgeted expenditures. HEAB would need to present a plan to convert the 0.64 SEG position and funding to GPR, close the WHEAL account, and transfer remaining balances to the general fund in its 2007-09 agency budget submission.

## **ALTERNATIVES**

1. Require the Higher Educational Aids Board to transfer \$906,000 to the general fund in 2005-06 of the available balance of funds related WHEAL repayments and require that the bank account for WHEAL loan repayments be closed and the loan repayments should be deposited directly to the State's working bank with all future loan repayments treated as GPR (\$48,000 annually). In addition, delete 0.64 SEG position with annual funding of \$76,600 annually.

<u>Alternative 1</u>	<u>GPR-REV</u>	<u>SEG</u>
<b>2005-07 REVENUE</b> (Change to Bill)	\$1,002,000	
<b>2005-07 FUNDING</b> (Change to Bill)		- \$153,200
<b>2006-07 POSITIONS</b> (Change to Bill)		- 0.64

2. Require the Higher Educational Aids Board to transfer \$906,000 to the general fund in 2005-06 of the available balance of funds related to WHEAL repayments and require that all future loan repayments be treated as revenues to the general fund (\$48,000 annually). In addition, convert 0.64 SEG position with annual funding of \$76,600 annually to GPR.

<u>Alternative 2</u>	<u>GPR-REV</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2005-07 REVENUE</b> (Change to Bill)	\$1,002,000			
<b>2005-07 FUNDING</b> (Change to Bill)		\$153,200	- \$153,200	\$0
<b>2006-07 POSITIONS</b> (Change to Bill)		0.64	- 0.64	\$0

3. Require the Higher Educational Aids Board to transfer \$850,000 to the general fund in 2005-06 of the available balance of funds related WHEAL repayments.

<u>Alternative 3</u>	<u>GPR-REV</u>
<b>2005-07 REVENUE</b> (Change to Bill)	\$850,000

4. Maintain current law.

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