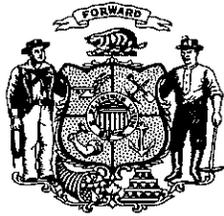


# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative John Nygren

Date: June 25, 2020

Re: DFI Report to JFC

Attached is a report from the Department of Financial Institutions to JFC, pursuant to January 16, 2020, JFC s. 13.10 action.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



**State of Wisconsin**  
*Department of Financial Institutions*

Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

June 16, 2020

The Honorable Alberta Darling  
Co-Chair, Joint Committee on Finance  
317 East, State Capitol  
Madison, WI 53702

**JUN 25 2020**  
*St. Finance*

The Honorable John Nygren  
Co-Chair, Joint Committee on Finance  
309 East, State Capitol  
Madison, WI 53702

Dear Senator Darling and Representative Nygren:

On behalf of the Department of Financial Institutions (DFI), we write to report on (1) DFI's deletion of one FTE position, as required by this Committee's January 16, 2020 approval of DFI's request to provide a 1.0 FTE SEG position for an administrative manager for its college savings program; and (2) the College Savings Program Board's efforts to reduce state administrative fees charged under the college savings program.

**Position deletion**

Pursuant to this Committee's directive to "identify and delete 1.0 vacant FTE PR position within DFI's general program operations appropriation," DFI deleted position number 058130, a Records Program Associate within its Corporations Bureau, effective June 10, 2020.

**Administrative fees**

Under Wisconsin law, the College Savings Program Board administers the state's college savings program<sup>1</sup> and establishes the administrative fees charged to owners.<sup>2</sup> DFI does not have the discretion to set those fees.

The Board has taken recent steps to reduce administrative fees while maintaining safe operational reserves for its two plans: the direct-sold Edvest plan and the advisor-sold Tomorrow's Scholar plan.

<sup>1</sup> Wis. Stat. § 224.50(2)(a).

<sup>2</sup> Wis. Admin. Code § DFI-CSP 1.14.

**Office of the Secretary**

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***Edvest plan.*** Unlike most direct-sold plans administered by other states, Wisconsin's direct-sold Edvest plan charges no state administrative fees. This is a substantial benefit to residents of the State of Wisconsin, as almost 90 percent of Edvest investments are held by Wisconsinites.

***Tomorrow's Scholar plan.*** All costs of administering the college savings program are funded by administrative fees for the advisor-sold Tomorrow's Scholar plan. One-third of all Tomorrow's Scholar investments are held by out-of-state participants.

In late 2018, as part of its continuing efforts to be sensitive to fees,<sup>3</sup> the Board reduced the administrative fees charged by the Tomorrow's Scholar program by 30 percent, from 0.10 percent of assets to 0.07 percent. That fee reduction is effective through October 29, 2020, though the Board may vote to extend it at its September 2020 meeting. This reduced fee is in line with the 0.06 percent average administrative fee for advisor-sold plans nationally, even though Wisconsin—unlike most states—uses that single fee to cover all administrative costs for both its direct- and advisor-sold plans.

At the direction of this Committee, DFI raised (and the Board considered) the issue of further Tomorrow's Scholar fee reductions at the Board's March 4, 2020 quarterly meeting. The Board did not implement further reductions at that time, but it reaffirmed its commitment to continue to monitor administrative fees and to make further reductions as prudent in its oversight of the program. In addition, the Board will vote in its September meeting on whether to extend (or make permanent) the 30 percent Tomorrow's Scholar fee reduction first implemented in late 2018.

Thank you for your interest in the college savings program, and we will continue to work with the Board on our shared goal of making first-rate, low-fee college savings plans available to residents of this State.

Sincerely,

/s/ Matthew Lynch

Chief Legal Counsel  
Department of Financial Institutions  
[matthew.lynch@dfi.wisconsin.gov](mailto:matthew.lynch@dfi.wisconsin.gov)

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<sup>3</sup> See Minutes of College Savings Program Board meeting of Sep. 7, 2018, available at <http://529.wi.gov/docview.asp?docid=28743&locid=188>.