



1999 SENATE BILL 332

January 21, 2000 - Introduced by Senators GROBSCHMIDT, WELCH, DARLING, BURKE, ERPENBACH, ROESSLER, DECKER, FARROW, LAZICH, WIRCH, PANZER, ROBSON, BAUMGART and MOEN, cosponsored by Representatives KREIBICH, PLALE, UNDERHEIM, JENSEN, MUSSER, KESTELL, DUFF, M. LEHMAN, RHOADES, HUTCHISON, SYKORA, ALBERS, FREESE, GUNDERSON, BRANDEMUEHL, LADWIG, JESKEWITZ, SPILLNER, SUDER, OTT, PLOUFF, RYBA, MEYERHOFER, STONE, OLSEN, HANDRICK, KLUSMAN, VRAKAS, MONTGOMERY, WALKER, TOWNSEND, WARD, PETTIS, YOUNG, AINSWORTH, WIECKERT, WASSERMAN, SCHOOFF and LASSA. Referred to Committee on Education.

1 **AN ACT to repeal** 14.63 (3) (a) 1. and 3.; **to amend** 14.63 (4), 14.63 (5) (a), 14.63
2 (5) (b) (intro.) and 2., 14.63 (8), 14.63 (11) (b) and 16.75 (2m) (a); and **to create**
3 14.57, 14.63 (3) (c), 14.64, 15.07 (1) (b) 2., 16.25, 20.585 (1) (gm) and 815.18 (3)
4 (p) of the statutes; **relating to:** the college tuition prepayment program,
5 creating a college savings program board and college savings program,
6 granting rule-making authority and making an appropriation.

Analysis by the Legislative Reference Bureau

Under current law, the state treasurer administers a college tuition prepayment program that allows a Wisconsin resident, trust or legal guardian to purchase tuition units from the state treasurer that may be redeemed in the future to pay tuition and mandatory student fees at any accredited institution of higher education in the United States on behalf of a beneficiary who is a Wisconsin resident. The college tuition prepayment program is a qualified state tuition plan under federal law; federal tax is deferred until funds are withdrawn, after which the distributions are taxable as ordinary income at the beneficiary's federal tax rate. Distributions are exempt from state tax. A person who wishes to purchase tuition units must pay a \$50 nonrefundable enrollment fee.

This bill repeals the residency requirements for purchasers and beneficiaries of tuition units; permits, but does not require, the state treasurer to charge an enrollment fee; and permits tuition units to be redeemed to cover tuition, fees and

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the costs of room and board, books, supplies and equipment required for college enrollment.

The bill also creates a college savings program, which is administered primarily by an eleven-member college savings program board (board) that is attached to the office of the state treasurer. The college savings program allows an individual, trust or legal guardian to establish and contribute money to a college savings account to cover tuition, fees and the costs of room and board, books, supplies and equipment required for enrollment or attendance of a beneficiary at any accredited institution of higher education in the United States. (A tax-exempt nonprofit corporation and a state or local governmental unit may also open a college savings account as part of a scholarship program.) The board must ensure that the college savings program meets federal requirements for a qualified state tuition plan and must invest the contributions to college savings accounts and pay distributions to beneficiaries and institutions of higher education. Under the bill, the department of administration (DOA) selects a private entity to serve as program manager, based upon factors specified in the bill and other factors determined by DOA. The contract between DOA and the manager must, among other things, require the manager to reimburse the state for all administrative costs that the state incurs for the college savings program. The bill also prohibits a state agency, a University of Wisconsin System institution or a technical college from including the balance of a college savings account in the calculation of a beneficiary's eligibility for state financial aid for higher education.

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

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

1 **SECTION 1.** 14.57 of the statutes is created to read:

2 **14.57 Same; attached boards.** There is created a college savings program
3 board that is attached to the office of the state treasurer under s. 15.03 and that
4 consists of all of the following members:

5 **(1)** The state treasurer or his or her designee.

6 **(2)** The president of the board of regents of the University of Wisconsin System
7 or his or her designee.

8 **(3)** A representative of private colleges in this state, appointed for a 4-year
9 term.

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1 (4) The chairperson of the investment board or his or her designee.

2 (5) The president of the technical college system board or his or her designee.

3 (6) Six other members, appointed for 4-year terms.

4 **SECTION 2.** 14.63 (3) (a) 1. and 3. of the statutes, as affected by 1999 Wisconsin
5 Act 9, are repealed.

6 **SECTION 3.** 14.63 (3) (c) of the statutes is created to read:

7 14.63 (3) (c) The state treasurer may charge a purchaser an enrollment fee.

8 **SECTION 4.** 14.63 (4) of the statutes, as affected by 1999 Wisconsin Act 9, is
9 amended to read:

10 14.63 (4) NUMBER OF TUITION UNITS PURCHASED. A person who enters into a
11 contract under sub. (3) may purchase tuition units at any time and in any number,
12 except that the total number of tuition units purchased on behalf of a single
13 beneficiary may not exceed the number necessary to pay for 4 years of full-time
14 attendance, including ~~mandatory student tuition, fees and the costs described in sub.~~
15 (5) (a), as a resident undergraduate at the institution within the University of
16 Wisconsin System that has the highest resident undergraduate tuition, as
17 determined by the state treasurer, in the anticipated academic years of their use.

18 **SECTION 5.** 14.63 (5) (a) of the statutes, as affected by 1999 Wisconsin Act 9, is
19 amended to read:

20 14.63 (5) (a) Except as provided in sub. (7m), if an individual named as
21 beneficiary in a contract under sub. (3) attends an institution of higher education in
22 the United States, each tuition unit purchased on his or her behalf entitles that
23 beneficiary to apply toward the payment of tuition ~~and mandatory student, fees and~~
24 the costs of room and board, books, supplies and equipment required for enrollment
25 or attendance at the institution an amount equal to 1% of the anticipated weighted

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1 average tuition of bachelor's degree-granting institutions within the University of
2 Wisconsin System for the year of attendance, as estimated under sub. (2) in the year
3 in which the tuition unit was purchased.

4 **SECTION 6.** 14.63 (5) (b) (intro.) and 2. of the statutes, as affected by 1999
5 Wisconsin Act 9, are amended to read:

6 14.63 (5) (b) (intro.) Upon request by the beneficiary, the state treasurer shall
7 pay to the institution or beneficiary, whichever is appropriate, in each semester of
8 attendance the lesser of the following:

9 2. An amount equal to the sum of the institution's tuition ~~and mandatory~~
10 ~~student~~, fees and the costs described in par. (a) for that semester.

11 **SECTION 7.** 14.63 (8) of the statutes, as affected by 1999 Wisconsin Act 9, is
12 amended to read:

13 14.63 (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 ~~and mandatory student~~, fees and the costs described in sub. (5) (a) under this section
16 are not subject to garnishment, attachment, execution or any other process of law.

17 **SECTION 8.** 14.63 (11) (b) of the statutes, as affected by 1999 Wisconsin Act 9,
18 is amended to read:

19 14.63 (11) (b) The requirements to pay tuition ~~and mandatory student~~, fees and
20 the costs of room and board, books, supplies and equipment under sub. (5) and to
21 make refunds under sub. (7) are subject to the availability of sufficient assets in the
22 tuition trust fund.

23 **SECTION 9.** 14.64 of the statutes is created to read:

24 **14.64 College savings program. (1) DEFINITIONS.** In this section:

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1 (a) "Account owner" means an individual who establishes a college savings
2 account under this section.

3 (b) "Board" means the college savings program board.

4 **(2) DUTIES OF THE BOARD.** The board shall do all of the following:

5 (a) Except as provided in s. 16.25, establish and administer a college savings
6 program that allows an individual, trust, legal guardian or entity described under
7 26 USC 529 (e) (1) (C) to establish a college savings account to cover tuition, fees and
8 the costs of room and board, books, supplies and equipment required for the
9 enrollment or attendance of a beneficiary at an eligible educational institution, as
10 defined under 26 USC 529.

11 (b) Ensure that the college savings program meets the requirements of a
12 qualified state tuition plan under 26 USC 529.

13 (c) Invest the contributions to college savings accounts and pay distributions
14 to beneficiaries and eligible educational institutions.

15 (d) Provide to each account owner, and to persons who are interested in
16 establishing a college savings account, information about current and estimated
17 future higher education costs, levels of participation in the college savings program
18 that will help achieve educational funding objectives and availability of and access
19 to financial aid.

20 (e) Promulgate rules to implement and administer this section, including rules
21 that determine whether a withdrawal from a college savings account is a qualified
22 or nonqualified withdrawal, as defined under 26 USC 529, and that impose more
23 than a de minimis penalty, as defined under 26 USC 529, for nonqualified
24 withdrawals.

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1 (f) Seek rulings and guidance from the U.S. department of the treasury, the
2 internal revenue service and the securities and exchange commission to ensure the
3 proper implementation and administration of the college savings program.

4 (g) Ensure that if the department of administration changes managers, the
5 balances of college savings accounts are promptly transferred into investment
6 instruments as similar to the original investment instruments as possible.

7 (h) Keep personal and financial information pertaining to an account owner or
8 a beneficiary closed to the public.

9 **(3) ACCOUNT OWNERS; BENEFICIARIES; CONTRIBUTIONS; TERMINATION OF SAVINGS**
10 **ACCOUNTS.** (a) An account owner may do all of the following:

11 1. Contribute to a college savings account

12 2. Select a beneficiary of a college savings account.

13 3. Change the beneficiary of a college savings account to a family member, as
14 defined under 26 USC 529, of the previous beneficiary.

15 4. Transfer all or a portion of a college savings account to another college
16 savings account whose beneficiary is a member of the family.

17 5. Designate an individual other than the beneficiary as an individual to whom
18 funds may be paid from a college savings account.

19 6. Receive distributions from a college savings account if no other individual
20 is designated.

21 (b) An individual may be the beneficiary of more than one college savings
22 account, and an account owner may be the beneficiary of a college savings account
23 that the account owner has established.

24 (c) The board shall establish a minimum initial contribution to a college savings
25 account that may be waived if the account owner agrees to contribute to a college

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1 savings account through a payroll deduction or automatic deposit plan. The board
2 shall ensure that any such plan permits the adjustment of scheduled deposits
3 because of a change in the account owner's economic circumstances or a beneficiary's
4 educational plans.

5 (d) An account owner under this section may terminate his or her college
6 savings account if any of the following occurs:

7 1. The beneficiary dies or is permanently disabled.

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

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

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

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

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

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

17 5. Other circumstances determined by the board to be grounds for termination.

18 (e) The board shall terminate a college savings account if any portion of the
19 college savings account balance remains unused 10 years after the anticipated
20 academic year of the beneficiary's initial enrollment in an eligible educational
21 institution.

22 **(4) CONTRACTS WITH PROFESSIONALS.** The board may enter into a contract for the
23 services of accountants, attorneys, consultants and other professionals to assist in
24 the administration and evaluation of the college savings program.

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1 **(5) REPORT.** Annually, the board shall submit a report to the governor, and to
2 the appropriate standing committees of the legislature under s. 13.172 (3), on the
3 performance of the college savings program, including any recommended changes to
4 the program.

5 **(6) CONSTRUCTION.** Nothing in this section guarantees an individual's
6 admission to, retention by or graduation from any institution of higher education; a
7 rate of interest or return on a college savings account; or the payment of principal,
8 interest or return on a college savings account.

9 **(7) EXEMPTION FROM GARNISHMENT, ATTACHMENT AND EXECUTION; SECURITY FOR**
10 **LOAN.** (a) A beneficiary's right to qualified withdrawals under this section is not
11 subject to garnishment, attachment, execution or other process of law.

12 (b) No interest in a college savings account may be pledged as security for a
13 loan.

14 **(8) FINANCIAL AID CALCULATIONS.** No state agency, University of Wisconsin
15 System institution or college campus or technical college may include the balance of
16 a college savings account in the calculation of a beneficiary's eligibility for state
17 financial aid for higher education.

18 **SECTION 10.** 15.07 (1) (b) 2. of the statutes is created to read:

19 15.07 **(1)** (b) 2. College savings program board.

20 **SECTION 11.** 16.25 of the statutes is created to read:

21 **16.25 College savings program manager.** **(1)** The department shall
22 determine the factors to be considered in selecting a person to serve as manager of
23 the program under s. 14.64, which shall include:

24 (a) The person's ability to satisfy record-keeping and reporting requirements.

25 (b) The fees, if any, that the person proposes to charge account owners.

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1 (c) The person's plan for promoting the college savings program and the
2 investment that the person is willing to make to promote the program.

3 (d) The minimum initial contribution or minimum contributions that the
4 person will require.

5 (e) The ability and willingness of the person to accept electronic contributions.

6 (f) The ability of the person to augment the college savings program with
7 additional, beneficial services related to the program.

8 **(2)** The department shall solicit competitive sealed proposals under s. 16.75
9 (2m) from nongovernmental persons to serve as manager of the college savings
10 program. The department shall select the manager based upon factors determined
11 by the department under sub. (1).

12 **(3)** The contract between the department and the manager shall ensure all of
13 the following:

14 (a) That the manager reimburses the state for all administrative costs that the
15 state incurs for the college savings program.

16 (b) That a firm of certified public accountants selected by the manager annually
17 audits the college savings program and provides a copy of the audit to the college
18 savings program board.

19 (c) That each account owner receives a quarterly statement that identifies the
20 contributions to the college savings account during the preceding quarter, the total
21 contributions to and the value of the college savings account through the end of the
22 preceding quarter and any distributions made during the preceding quarter.

23 **SECTION 12.** 16.75 (2m) (a) of the statutes is amended to read:

24 16.75 **(2m)** (a) If Except as otherwise required by law, if the secretary or his or
25 her designee determines that the use of competitive sealed bidding is not practicable

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1 or not advantageous to this state, the department may solicit competitive sealed
2 proposals. Each request for competitive sealed proposals shall state the relative
3 importance of price and other evaluation factors.

4 **SECTION 13.** 20.585 (1) (gm) of the statutes is created to read:

5 20.585 (1) (gm) *General program operations; reimbursement.* All moneys
6 received from the manager of the college savings program under s. 16.25 (3) (a) for
7 general programs operations. No moneys may be encumbered under this paragraph
8 on or after the first day of the 25th month beginning after the effective date of this
9 paragraph [revisor inserts date].

10 **SECTION 14.** 815.18 (3) (p) of the statutes is created to read:

11 815.18 (3) (p) *College savings accounts.* An interest in a college savings account
12 under s. 14.64.

13 **SECTION 15. Nonstatutory provisions.**

14 (1) (a) Notwithstanding section 15.07 (1) (b) 2. of the statutes, as created by this
15 act, the governor may provisionally appoint initial members of the college savings
16 program board under section 14.57 of the statutes, as created by this act. Those
17 provisional appointments are in force until the governor withdraws them or the
18 senate acts upon them, and if the senate confirms them, they continue for the
19 remainder of the unexpired terms, if any, of the members and until successors are
20 chosen and qualify. A provisional appointee may exercise all the powers and duties
21 of board membership to which the person is appointed during the time in which the
22 appointee qualifies.

23 (b) A provisional appointment under paragraph (a) that the governor
24 withdraws lapses upon withdrawal and creates a vacancy for the provisional
25 appointment of another initial member of the college savings program board. A

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1 provisional appointment that the governor makes under paragraph (a) and that the
2 senate rejects lapses upon rejection and creates a vacancy for nomination and
3 appointment under section 15.07 (1) (b) 2. of the statutes, as created by this act, of
4 another initial board member.

5 (2) Notwithstanding the length of the terms specified in section 14.57 (3) and
6 (6) of the statutes, as created by this act, the initial terms of the member appointed
7 under section 14.57 (3) of the statutes, as created by this act, and of 2 of the members
8 appointed under section 14.57 (6) of the statutes, as created by this act, expire on May
9 1, 2003, and the initial terms of 4 of the members appointed under section 14.57 (6)
10 of the statutes, as created by this act, expire on May 1, 2005.

11 **SECTION 16. Effective dates.** This act takes effect on the first day of the 10th
12 month following publication, except as follows:

13 (1) The treatment of sections 14.57 and 15.07 (1) (b) 2. of the statutes and
14 SECTION 15 of this act take effect the day after publication.

15 (END)