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Repayment of GPR Start-Up Administrative Funding -- College Savings and College Tuition & Expenses Programs (State Treasurer)

CURRENT LAW

Section 14.63 (10m) of the statutes, relating to the college tuition and expenses program, requires that the Secretary of the Department of Administration transfer from the tuition trust fund to the general fund, when the Secretary determine that there are adequate revenues in the fund to make such transfer, monies sufficient to repay amounts encumbered under the GPR appropriations which have provided start-up funding for that program. No such repayment provision exists with regard to GPR start-up administrative expenses provided for the college savings program which was created by 1999 Wisconsin Act 44.

GOVERNOR

No change to current law.

DISCUSSION POINTS

1. When the college tuition and expenses program was originally created by the 1995 Wisconsin Act 403, the statutes governing the program contained a provision that the initial GPR funding of $721,900 provided in fiscal year 1996-97 for start-up administrative expenses of the program was to be repaid to the general fund. That language specified that the Secretary of DOA was to make transfers from the new tuition trust fund created for the program to repay those GPR start-up costs when the Secretary determined that there were sufficient revenues in the fund to make the transfer. The language also provided that the Secretary could make the transfer in installments.

2. This requirement for repayments has remained in the statutes since that time,

unchanged except to be relocated under the Office of the State Treasurer when the program was transferred to that office and to be modified to include all GPR expenditures made on behalf of that program. The current language thus provides that all GPR funds provided since inception of the program for administrative expenses of the college tuition and expenses program are to be repaid to the general fund when sufficient revenues are available to make such repayment or repayments. Currently, no such language exists for GPR funding provided for start-up expenses of the college savings program. However, it has been indicated by the Treasurer's Office that the proponents of the measure which created that new program envisioned the GPR start-up funding being repaid in a similar manner.

3. The table below shows the total GPR funding expended for the two programs since their respective inceptions, including additional GPR funding proposed in SB 55 for the two programs.

College Savings and College Tuition and Expenses Programs
GPR Amounts Expended

Fiscal Year	College Tuition & Expenses Program	College Savings Program
1995-96	--	--
1996-97	$721,900	--
1997-98	*	--
1998-99	*	--
1999-00	77,621	$0
2000-01 (Est.)	75,000	50,000
2001-02 (SB 55)	85,400	70,900
2002-03 (SB 55)	15,400	73,000
Total	$975,321	$193,900

*Not all of the initial appropriation provided in 1996-97 was expended in that year; the remainder was allowed to carry over and be expended in the 1997-99 biennium.

4. To finance the operations of the college tuition and expenses and college savings programs, fees are assessed program participants. Under the college tuition and expenses program, there is an enrollment fee of $20 plus available annual fee which averages 0.7 % of the account value. Under the college savings program, there will be an enrollment fee that will also be $20 plus an annual fee of 0.25% of the account value (this fee is lower because there is also a separate annual fee of 1.00% that is paid to the program vendor for fund administration and investment management services).

5. To date, no repayments for GPR start-up costs have been made under the college tuition and expenses program repayment provision because revenues have not been sufficient to cover operating costs and make repayments. In fact, as shown in the table above, additional GPR

funding for administrative expenses has been required.

6. Under 2001 Act 7 (AB 321) a separate trust fund was created for the college savings program and other changes to that program are made to permit the actual launch of the program that is now expected in the near future (currently anticipated by July 1, 2001). In connection with that bill, the administrator of the two programs has developed updated estimates of fee revenues to be received by those programs in 2001-03 for state administrative expenses. Based on those estimates, the college tuition and expenses program is not expected to have sufficient revenues to make any repayments in the next biennium. However, under those projections, the college savings program, if a repayment requirement existed for that program, could possibly begin to make repayments in the second year of the next biennium.

7. The State Treasurer's Office has expressed its desire to see all of the GPR funding provided to both of the programs repaid from any available administrative revenues balance as soon as is feasible and to end any further need for GPR supplementation of either program. In connection with this, it should be noted that the current repayment language refers to amounts encumbered rather than expended. A more precise phrasing would be to refer to actual expended funds, since not all monies originally appropriated in past years were actually expended. Any GPR monies appropriated but not expended would have already lapsed back to the general fund. The repayment requirement should apply only to those GPR funds actually expended on the program.

8. The Committee could consider making the following changes to current law, as affected by 2001 Act 7: (a) amend the statutes to require (similar to the current requirements for the college tuition and expenses program) that all GPR funding provided for the new college savings program be repaid to the general fund as sufficient revenues from fees assessed program participants become available; (b) clarify that the GPR funds to be repaid are the total of those GPR funds actually expended by the two programs; (c) provide that repayments under the amended provision may come either or both of the trust funds' sub-accounts for administrative fees collected, as determined by the State Treasurer; and (d) require that the State Treasurer report by June 1st of each year -- until all GPR amounts that were expended for the two programs have been repaid -- to the Secretary of DOA and the Joint Committee on Finance on the amounts available in both of the funds for repayment, the amounts repaid to date and the remaining balance due.

ALTERNATIVES

1. Amend current law to require that the Secretary of the Department of Administration shall transfer from the tuition trust fund and/or the college savings program trust fund to the general fund an amount equal to the total of all GPR funds expended for operations of the college tuition and expenses and the college savings programs when the Secretary of Administration determines that revenues in the tuition trust fund and/or the college savings program are sufficient to make the transfer. Clarify current law to specify that the GPR funding amounts to be repaid are the total of GPR funds actually expended on the two programs. Provide that repayments are to come from the numeric appropriation within each trust fund that is established to track expenditures of program

fees collected for the administrative costs of the programs. Require the State Treasurer to report by June 1st of each year -- until all required repayments have been made -- to the Secretary of Administration and the Joint Committee on Finance on the amounts available in both of the trust funds for repayment, the amounts repaid and the balances outstanding.

2. Maintain current law.

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