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May 23, 2017 Joint Committee on Finance Paper #111

College Savings Program (Administration -- Transfers)

[LFB 2017-19 Budget Summary: Page 41, #7]

CURRENT LAW

The Department of Administration (DOA), through its State Capital Finance Office, manages two college savings plans: Edvest and Tomorrow's Scholar, which were initially established under 1999 Act 44. The plans are qualified state tuition plans under section 529 of the U.S. Internal Revenue Code, designed as a savings vehicle for higher education expenses with certain tax advantages. The programs are administered under advisement by the College Savings Program Board.

GOVERNOR

Delete $744,200 SEG and 2.0 SEG positions annually and transfer the college savings program from DOA to the Department of Financial Institutions (DFI). Specify that DOA must delegate authority to DFI to enter into vendor contracts for the college savings program. Specify that DOA's uniform procedures for determining whether contractual services are appropriate would not apply to college savings program contracts. Renumber the college savings program appropriations to reflect the transfer of administration to DFI. Statutory provisions relating to current college savings programs would be transferred in addition to provisions relating to the college tuition and expenses program (otherwise known as the tuition unit purchase program), which was discontinued in 2002 but still has enrollees with accounts and assets invested. Provide related funding of $759,100 SEG annually and 2.0 SEG positions to DFI. [The administration indicates the provision would "align current college financial literacy outreach efforts."]

Specify that on October 1, 2017, or the effective date of the bill, whichever is later, 2.0 positions and the incumbent employees holding the positions responsible for college savings program duties, as determined by the Secretary of DOA, would be transferred to DFI. Specify that the employees would have all the rights and the same status in DFI that they enjoyed in

DOA immediately before the transfer. Specify that the assets and liabilities, tangible personal property, records, contracts, rules and orders, and pending matters relating primarily to administration of the college savings program would transfer to DFI.

MODIFICATION

Specify that the effective date of the transfer would be the effective date of the bill.

Explanation: In an errata letter submitted to the Committee March 31, 2017, the administration indicated that the effective date of the transfer should be the same as the general effective date of the bill rather than October 1, 2017, as specified in Section 9401(1) of the bill. Funding and position modifications in the bill reflect an immediate transfer of the program, with full funding for 12 months provided to DFI (reduced in DOA). With regard to the difference in funding provided in contrast to funding reduced, calculations for the DFI positions were based a different fringe benefit rate (set in technical budget instructions issued by the State Budget Office) and more recent position information.

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