FINANCIAL INSTITUTIONS

Budget Summary						FTE Position Summary				
	2022-23	Governor		2023-25 Change Over Base Year Doubled			Governor		2024-25 Over 2022-23	
Fund	Adjusted Base	2023-24	2024-25	Amount	%	2022-23	2023-24	2024-25	Number	%
GPR	$0	$2,000,000	$0	$2,000,000	N.A.	0.00	0.00	0.00	0.00	N.A.
PR	18,329,700	23,099,700	24,585,700	11,026,000	30.1%	138.54	141.04	141.04	2.50	1.8%
SEG	999,600	949,500	949,500	- 100,200	- 5.0	3.00	3.00	3.00	0.00	0.0
TOTAL	$19,329,300	$26,049,200	$25,535,200	$12,925,800	33.4%	141.54	144.04	144.04	2.50	1.8%

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

PR	$610,000
SEG	- 100,200
Total	$509,800

Governor: Provide adjustments to the base budget for: (a) turnover reduction (-$302,600 PR annually); and (b) full funding of continuing position salaries and fringe benefits ($667,400 PR annually and -$61,000 SEG annually); and (c) full funding of lease and directed moves costs (-$59,800 PR and $10,900 SEG annually).

2. DEPARTMENT OPERATIONS

PR	$6,786,200

Governor: Provide $3,393,100 annually for the Department's central duties including: (a) the maintenance and upgrade of critical information technology infrastructure, financial examiner travel and training costs, and accreditation costs ($3,284,200); and (b) limited-term-employee salary and fringe costs ($108,900).

3. SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

	Funding	Positions
GPR	$2,000,000	0.00
PR	144,200	1.00
Total	$2,144,200	1.00

Governor: Provide $2,000,000 GPR and $63,200 PR in 2023-24 and $81,000 PR in 2024-25 and 1.0 PR position annually to establish and administer the Small Business Retirement Savings Program for certain privately-employed individuals who are not offered an employer-sponsored retirement plan. Funding would be used for: (a) start-up costs modeled on similar programs in other states ($2,000,000 GPR in 2023-24); (b) position salaries and fringe benefits ($53,200 PR in 2023-24 and $71,000 PR in 2024-25); and (c) supplies and services ($10,000 PR annually). The position would be used to staff the Small Business Retirement Savings Board. This recommendation is related to the 2021 final report of the Governor's Task Force on Retirement Security.

a. *Small Business Retirement Savings Program - General*. Establish a Small Business Retirement Savings Program, a GPR general program operations appropriation, and a PR program operations appropriation for all moneys received for the program. In addition, add the Small Business Retirement Savings Program to the list of moneys received by the Department exempt from the general program operations appropriation annual lapse to the general fund.

b. *Small Business Retirement Savings Board*. Create a Small Business Retirement Savings Board to establish and oversee the program. The Board would consist of seven members including the Secretary of the DFI (or his or her designee), one member appointed by the State Investment Board, and the following five members, each of whom must have a "favorable reputation for skill, knowledge, and experience in the field of retirement savings and investments": (a) two members appointed by the Governor, one of whom has excellence relating to small businesses; (b) one member appointed by the Speaker of the Assembly; (c) one member appointed by the Majority Leader of the Senate; and (d) one member appointed by the Secretary of DFI. All members except the Secretary of DFI would be appointed for four-year terms.

Modify statutory language to include the Small Business Retirement Savings Board in the list of entities exempt from statutory contractual services determinations, and to expand purchasing powers to allow the Board to enter into vendor contracts.

Specify that the Board may: (a) create or impose any requirement or condition not inconsistent with the requirements of the program that the Board considers necessary for the effective functioning and widespread utilization of the program; (b) enter into contracts or other arrangements for necessary services; (c) promulgate rules; and (d) exercise any other powers necessary to establish, oversee, or otherwise carryout the purposes of the program. Require DFI to provide assistance to the Board, including staff, equipment, and office space. Specify that the Board must solicit competitive sealed proposals, then select and contract with a vendor to provide investment, accounting and record keeping, and any other professional services considered necessary by the Board to administering the program. The Board must design the program to: (a) allow eligible employees to contribute to their accounts through payroll deductions and require participating employers to withhold employee wages, through payroll deductions, employees' account contributions, and remit those contributions directly to the investment administrator; (b) allow the investment administrator to pool accounts as the trustee of account contributions and earnings; (c) limit the investment advisor fee to a fixed monthly amount approved by the Board and keep the administrative costs of the program low; (d) not require a minimum account balance, if the employee makes contributions each pay period; (e) allow account consolidation and rollover; (f) allow an account owner to continue the account after separating from employment with a participating employer, if the account owner has a positive balance; and (g) incorporate maximum contribution limits established by the Board in accordance with IRS contribution limits for Roth IRAs, separately and in combination with traditional IRAs, as well as any similar contribution limits for account types other than a Roth IRA.

c. *Employer Participation and Responsibilities*. Specify that a private employer may participate in the program if: (a) the employer does not offer a retirement savings plan to all employees; (b) the employer provides notice to the Board and certifies that the employer has 50 or fewer employees; and (c) the employer has at least one Wisconsin resident employee. After electing to participate, the employer must provide notice to each eligible employee of the right to decline participation in the program, and must enroll eligible employees in the program, unless an employee declined to participate.

d. *Employee Enrollment and Contribution Options*. Specify that the program must allow enrolled eligible employees the option to make contributions to a Roth IRA account, or any other investment account type, if other account types are offered. Within each account type, the program must provide at least five investment options, including: (a) a stable value or capital preservation fund; (b) an automatically rebalanced target date index or age-based fund; and (c) low-costs funds focused on income generation, asset growth, and balancing risk and return. The investment administrator must offer each enrolled eligible employee a tool to identify risk tolerance and projected retirement date, as an aid to the employee, prior to selecting investment account(s). The program would require the first $1,000 of an enrolled eligible employee's contributions to be deposited in a stable value or capital preservation fund, and thereafter, contributions must be deposited into a target date index or age-based fund, unless the employee selects a different investment option. In addition, during the employee's first year of enrollment, the employer must deduct five percent of the employee's gross wages each pay period, increasing by one percent per year until a maximum rate of 10 percent is reached, unless the employee directs otherwise (no rate may be less than one percent). The payroll deduction would be remitted to the investment administrator as the employee's account contribution percent is reached. However, the participating employer must make a good faith effort to establish the payroll deduction at a rate that will not result in the employee's total annual contributions exceeding maximum contribution limits established by the Board in accordance with the federal contribution limits for Roth IRAs, although the participating employer would not be responsible if excess contributions occur.

e. *Recordkeeping*. Specify that the Board must establish recordkeeping requirements (including the nature and extent of the services and performance metrics for measuring compliance) for the investment administrator, and require the maintenance of separate records and accounting for each account.

f. *Abandoned Accounts*. Specify that an account would be considered abandoned if: (a) there has been no account activity for at least six months and the account balance is less than $250; or (b) there has been no account activity for at least two years. The investment administrator must close abandoned accounts and disburse the account balance to the individual who established the account.

g. *Definitions*. For the purpose of the Small Business Retirement Savings Program, create statutory language to define "account," "Board," "eligible employee," "investment administrator," "participating employer," "Roth IRA" and "Traditional IRA."

[Bill Sections: 69, 126, 127, 128, 271 thru 274, 2448, and 9116(1)]

4. CHARITABLE AND PROFESSIONAL ORGANIZATIONS TECHNOLOGY PROJECT

PR	$1,115,900

Governor: Provide $1,115,900 in 2024-25 for modernization of the Department's charitable and professional organizations technology systems. The upgrades are intended to allow the Department to accept annual reports from approximately 11,000 active charitable organizations electronically, rather than on paper, and allow fund-raising costs as a percentage of donations received to be automatically added to the publicly-available database.

5. SECURITIES FILING TECHNOLOGY PROJECT

PR	$1,038,900

Governor: Provide $1,038,900 in 2024-25 to update and enhance the Department's securities filing technology systems. Under current law provisions related to the sale of securities in Wisconsin, securities must be: (a) registered with the DFI Division of Securities; (b) exempt from registration; or (c) submitted to the Division via a notice filing. Currently, over 20,000 active mutual funds with an annual renewal process are filed electronically, but the information must then be manually entered into the federal system. This project is intended to eliminate the need for manual entry between systems.

6. UNIFORM COMMERCIAL CODE AND TRADEMARK FILING SYSTEM TECHNOLOGY PROJECT

PR	$724,500

Governor: Provide $724,500 in 2023-24 for modernization of DFI's Uniform Commercial Code and trademark processing and filing technology systems. In April, 2019, DFI and a third-party vendor signed an initial term of five years with two options to extend the contract by one year upon mutual agreement of the parties. The extended contract will expire on March 15, 2024, unless the parties exercise their second and final option to extend the contract for an additional year. The new contract would include a one-time implementation fee of $724,500 in the 2023-25 biennium and annual software service costs in the 2025-27 biennium.

7. AGENCY EQUITY OFFICER

	Funding	Positions
PR	$83,800	0.50

Governor: Provide $36,700 in 2023-24 and $47,100 in 2024-25 and 0.5 position annually to create an agency equity officer position. The agency equity officer would be responsible for collaborating with the chief equity officer in the Department of Administration and with other agency equity officers to identify opportunities to advance equity in government operations. [See "Administration -- General Agency Provisions."]

8. TRANSFER TO THE SECRETARY OF STATE

GPR-REV	- $220,000
PR-REV	- 220,000

Governor: Increase the annual transfer of revenue from the Department's general program operations appropriation to the Secretary of State from $150,000 to

$260,000. [See "Secretary of State."]

Under current law, with some exceptions, all moneys received by the Department, other than by 88 percent of moneys received by the Office of Credit Unions and the Department's Division of Banking is credited to the Department's general program operations appropriation, and any balance at the close of a fiscal year transfers to the general fund. Annually, $150,000 of the amounts received under this appropriation is transferred to the Secretary of State. This provision would reduce the amount transferred to the general fund by $110,000 annually.

9. ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) SAVINGS ACCOUNT PROGRAM

	Funding	Positions
PR	$522,500	1.00

Governor: Provide $247,500 in 2023-24 and $275,000 in 2024-25 and 1.0 position annually to implement and administer a qualified Achieving a Better Life Experience (ABLE) savings account program under section 529A of the Internal Revenue Code for qualified expenses incurred by individuals with disabilities. Currently, the Department administers two section 529 college savings plans for Wisconsin residents: Edvest and Tomorrow's Scholar.

Under current federal law, states may create a qualified ABLE program, which provides tax-exempt savings accounts, used for qualified disability expenses (including education, housing, and transportation costs). In addition, state law allows a deduction for an eligible contribution deposited into an ABLE account of any state. Wisconsin currently does not operate its own ABLE program, but allows state residents to make contributions to the ABLE programs of other states.

Require the Department to implement and administer an ABLE program, either directly or by entering into a formal or informal agreement with another state, or with an entity representing an alliance of states, for the residents of Wisconsin. The Department would be required to review ABLE state partnership programs offered by other states and determine the best option for Wisconsin residents (either implementing a program directly, or entering into an agreement for a program) no later than the first day of the 10th month, beginning after the effective date of the bill.

Specify that if an agreement is entered into, a party contracting with the Department may be required to: (a) develop and implement the ABLE program in accordance with section the Internal Revenue Code requirements and modify the program, as necessary, to allow participants to qualify for the federal income tax benefits or treatment provided under section 529A; (b) engage the services of vendors; (c) work with organizations with expertise in supporting individuals with disabilities and their families; and (d) take any other action necessary to implement and administer the program.

In addition, specify that the Department is required to: (a) include information on ABLE accounts on its website; (b) keep personal and financial information related to ABLE accounts confidential; and (c) pay for all expenses incurred under this provision from the Department's general program operations appropriation. The Department may also promulgate rules to implement and administer the program. Stipulate that any amount remaining in a Wisconsin ABLE account upon the account's termination must be returned to the account owner's estate.

Note that under 2021 Act 119, DFI was required to study and report on establishing a qualified ABLE program, including examination of the advantages and disadvantages of certain options and review and evaluation of related issues. The Department submitted the report to the Legislature on September 1, 2022.

[Bill Sections: 1370 and 2447]