

Fiscal Estimate - 2001 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-3086/1	Introduction Number SB-146
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Subject
 College savings program

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s. 20.536(1)(k)	

Agency/Prepared By INV/ Lori Wersal (608) 266-2042	Authorized Signature Kenneth Johnson (608) 267-0221	Date 4/23/01
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Fiscal Estimate Narratives

INV 4/23/01

LRB Number	01-3086/1	Introduction Number	SB-146	Estimate Type	Original
Subject					
College savings program					

Assumptions Used in Arriving at Fiscal Estimate

This bill would require the Investment Board (SWIB) to invest the assets of the college savings program trust fund in the event that the funds are not under the management of a private vendor selected by the Department of Administration. Because of other provisions of current law, we have assumed that this would be an unlikely event and that it would be temporary.

The bill further requires SWIB to accept any reasonable terms and conditions that the College Savings Board specifies for investment. SWIB would be exempt from the standards of investment responsibility under Chapter 25 and instead would be required to make investments as directed by the College Savings Board.

Since SWIB is not equipped with the necessary resources and systems to manage individual participant accounts, it has been assumed for this analysis that SWIB would not be responsible for maintenance of these accounts.

Because of the temporary nature of SWIB's involvement, and to most expeditiously invest the funds with the least disruption, SWIB would likely invest the funds with an external index fund manager who could best readily provide a variety of investment options available to college savings plan participants.

SWIB would incur costs associated with this proposal. The amount of the cost would depend on the size of the assets under management, the types of investments required and the length of time SWIB manages the funds. The actual cost to manage the college program would have to be determined when the management of funds is needed and investment options clearly defined.

Consistent with s. 20.536 and 25.187(2), trust funds are billed for management costs incurred by SWIB. In the event that SWIB becomes the investment manager for this program, SWIB would bill the college savings program for any cost associated with management. SWIB's ability to expend the amounts which are billed to the program is limited by an overall statutory cap on expenses. This cap provides spending authority of 2.75 cents per \$100 managed as of April 30. Although this cap would not apply to index fund options, it does apply to agency operational expenses.

Long-Range Fiscal Implications

This bill requires SWIB to assume management of funds, potentially with limited time to prepare. Should SWIB remain the manager for an extended period of time, statutory changes may be needed to ensure SWIB has adequate budget authority to manage its responsibilities under the program. There is no long range cost associated with planning for this possibility. However, SWIB would include the potential implementation of this program in its strategic planning.