

State of Wisconsin Department of Financial Institutions

2021-2023 Biennial Report

October 2023

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State of Wisconsin

Department of Financial Institutions

Tony Evers, Governor

Cheryll Olson-Collins, Secretary-designee

October 16, 2023

Governor Tony Evers Office of the Governor 115 East, State Capitol Building Madison, WI 53702

Members of the Wisconsin Legislature State Capitol Building Madison, WI 53702

Dear Governor Evers and Legislators,

On behalf of the Wisconsin Department of Financial Institutions (DFI), I am honored to present you with the DFI's 2021-2023 biennial report for the biennium ending on June 30, 2023.

The DFI plays a key role in strengthening Wisconsin's financial future by protecting the safety and soundness of Wisconsin's financial institutions, safeguarding the investing public, facilitating commerce, and increasing financial capability throughout the state.

The importance of this role is underscored by the sheer number of financial institutions, licensed financial services, charitable organizations, business entities, and securities representatives the department regulates, licenses, or registers. That total includes:

- 138 state-chartered banks and savings institutions;
- 109 state-chartered credit unions;
- 19,132 licensed financial services providers;
- 11,697 charitable organizations;
- 581,786 business entities
- 192,464 securities agents;
- 1,613 broker-dealers; and
- 332 investment advisers.

The department also administers the Wisconsin Consumer Act and maintains the state's business and organization filings. The DFI is self-supporting through program revenue derived from fees and assessments paid by regulated entities and individuals.

During the 2021-2023 biennium, the department created new system requirements to support changes required by the Revised Uniform Limited Partnership Act / Revised Uniform Limited Liability Company Act. These new requirements significantly increased filing activity between December 2022 and April 2023. In addition, a new notary application was developed to offer enhanced functionality and improve the department's ability to serve its customers. Also, a new homeowners' association (HOA) system went live on December 14, 2022, which allows the public to obtain information regarding HOAs in the state.

The department continued its efforts to successfully modernize its website, making it a better user experience. On March 30, 2023, the DFI launched its new website, dfi.wi.gov, as the go-to source of information for the agency. The new website features a mobile-responsive design and streamlined navigation for faster access to key information, as well as a new look that is cohesive with Wisconsin.gov and other state agency websites. The new website was built through a public-private partnership between the State of Wisconsin, the Wisconsin Department of Administration, and Tyler Technologies.

During the biennium, the department worked to advance financial literacy, capability, and inclusion throughout the state. We launched <u>ELEVATE Wisconsin®</u>: The Course to <u>Financial Security</u>, a new financial wellness program announced by Governor Tony Evers on June 28, 2022. The program was created in collaboration with the Governor's Council on Financial Literacy and Capability and the Financial Fitness Group to help bridge the financial literacy gap across the state. ELEVATE Wisconsin® provides interactive, effective, and unbiased online instruction in personal finance and investing fundamentals.

In addition, the DFI administers the <u>Wisconsin 529 College Savings Program</u>, which works to engage with Wisconsin families on the importance of developing education savings strategies and the benefits of saving with one of Wisconsin's 529 college savings plans – <u>Edvest 529</u> and <u>Tomorrow's Scholar</u>. As of June 30, 2023, the program had \$6.934 billion in assets under management, consisting of \$4.748 billion in the direct-sold Edvest 529 plan and \$2.186 billion in the advisor-sold Tomorrow's Scholar plan. During the biennium, the net total of all accounts grew to 386,156, an increase of 4.7% compared to June 30, 2021. This represents 222,738 Edvest 529 accounts and 163,418 Tomorrow's Scholar accounts.

Finally, while the COVID-19 global health pandemic continued to shape the start of the 2021-2023 biennium, DFI persevered and adjusted to the ever-changing circumstances the pandemic presented while working with customers to meet their needs. The department's staff transitioned from working primarily remotely to a hybrid work model in the Hill Farms State Office Building. The department is required to regularly examine state-chartered banks and credit unions to ensure safe and sound financial practices and compliance with state law. Because those institutions are located throughout the state, for decades the department has utilized field examiners who are headquartered at their homes and participate in examinations of financial institutions in their respective regions. The pandemic caused a temporary shift in regulatory examinations to an entirely off-site, virtual format; however, a hybrid format combining on-site and off-site review was implemented during the biennium and is expected to continue going forward.

As we look ahead to the 2023-2025 biennium, we will continue our focus on modernizing our agency, building financial capability, and investing in our people. We look forward to updating and enhancing the DFI's securities filing technology systems, as well as the DFI's uniform commercial code and trademark processing and filing technology systems as outlined in the 2023-2025 Biennial Budget (2023 Wisconsin Act 19). We will remain efficient, effective, and transparent in our efforts.

For additional information, please visit our website, <u>dfi.wi.gov</u>, and follow us on our social media channels, <u>Facebook</u>, <u>LinkedIn</u>, and <u>X</u>, formally Twitter. Thank you for reading our report.

Sincerely,

Cheryll Olson-Collins

Chayll Olong Collins

Secretary-designee

Wisconsin Department of Financial Institutions

Office of the Secretary

4822 Madison Yards Way, North Tower

Madison, WI 53705

DFI Agency Description and Mission

DFI Agency Description

The Wisconsin Department of Financial Institutions (DFI) is headed by a secretary who is appointed by the governor with the advice and consent of the Wisconsin senate. The department operates with four regulatory and licensing divisions or offices and is supported by the Division of Administrative Services and Technology. The Office of Credit Unions is attached to the department for administrative purposes.

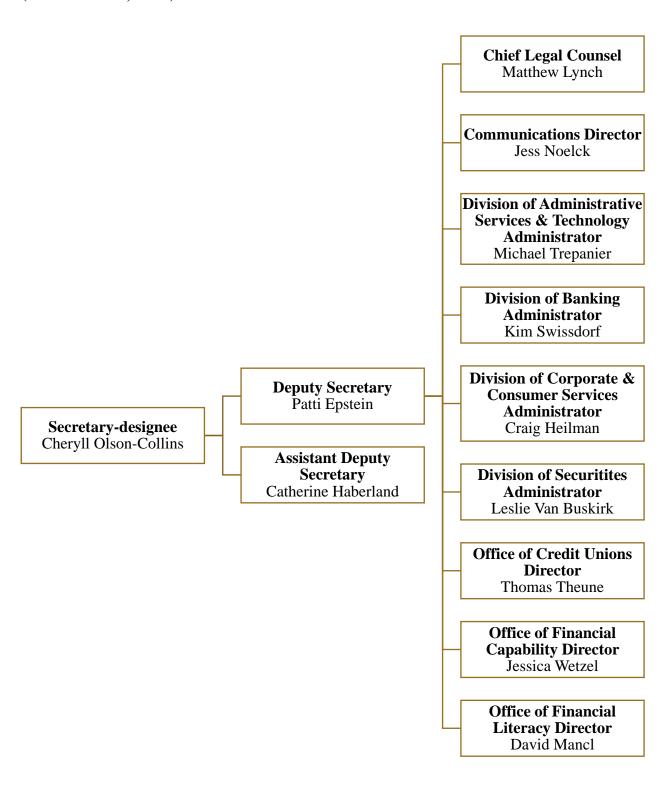
The department's functions include the regulation and examination of state-chartered depository institutions, licensing of other financial service providers, registration of securities offerings and regulation of securities professionals, issuance of notary public commissions and apostilles, registration of trademarks, registration of charitable organizations, registration of homeowners' associations, and support and maintenance of the state's central business registration and uniform commercial code filing systems. In addition, the secretary is the administrator of the Wisconsin Consumer Act, governing consumer credit transactions not exceeding \$25,000.

The department is also the administrator of Wisconsin's Section 529 College Savings Program, known as Edvest 529 and Tomorrow's Scholar, which is staffed by the department's Office of Financial Capability. Furthermore, the department houses the Office of Financial Literacy, which promotes financial literacy as a life skill and provides information to the public on matters of personal finance, investor protection, and the affordability of a postsecondary education. This office also provides administrative support to the Governor's Council on Financial Literacy and Capability.

DFI Mission

The DFI is dedicated to protecting the safety and soundness of Wisconsin's financial institutions, safeguarding the investing public, facilitating commerce, and increasing financial capability throughout the state.

(As of June 30, 2023)



2021-2023 DFI Program Measurements

Program 1: Supervision of Financial Institutions, Securities Regulation & Other Functions

Goal: Ensure the safety and soundness of the state's banking industry.

Objective/Activity: Examine state banks and savings institutions for compliance with laws and any issues related to the condition of the financial institutions within established time frames. All banks are to be examined at least every 18 months, with more frequent examinations of larger, more complex institutions. The banking division has entered into alternating examination agreements with the Federal Deposit Insurance Corporation and the Federal Reserve, so approximately 40 percent of all banks should be examined by the department in each calendar year in order to meet that standard.

Bank Examinations

Calendar Year	Number of Banks	Exams Due	Exams Complete	Percent to Target
2023*	142	32	38	118.75%
2022	147	60	63	105.00%
2021	150	52	52	100.00%

^{*}Data as of June 30, 2023

Goal: Protect the consumers of financial services.

Objective/Activity: Address abuses and violations of rules and statutes through expedient resolution of consumer complaints by the Bureau of Consumer Affairs. See table for percentage of consumer complaints acted on within five days of receipt and average number of days from receipt of complaint to resolution.

Consumer Complaints

Calendar Year	Acted-On Goal	Acted-On Actual	Resolution Goal	Resolution Actual
2023*	5 Days	100%	25 Days	7.16 Days
2022	5 Days	100%	25 Days	12.35 Days
2021	5 Days	100%	25 Days	10.58 Days

^{*}Data as of June 30, 2023

Goal: Facilitate economic growth.

Objective/Activity: Process new business filings timely to support new business activity. See table for percentage of online charter document filings processed within goal of five days.

Online Charter Document Filings Processed within Five Days

Calendar Year	Goal	Actual
2023*	100%	99%**
2022	100%	100%
2021	100%	100%

^{*}Data as of June 30, 2023

Goal: Ensure the safety and soundness of the state's credit unions.

Objective/Activity: Maintain cycle of examinations as required. Most credit unions are to be examined every 18 months. Credit unions identified as needing additional supervision are to be examined every 12 months.

Credit Union Examinations

Calendar Year	Number of Credit Unions	Exams Due	Exams Complete	Percent to Target
2023*	109	40	47	117%
2022	110	80	80	100%
2021	113	77	80	104%

^{*}Data as of June 30, 2023

Program 3: College Tuition and Expenses and College Savings Programs

Goal: Continue to provide college savings plans for the benefit of Wisconsin residents and nationwide under Section 529 of the Internal Revenue Code.

Objective/Activity: Maintain and increase levels of participation by offering high-quality and lower-cost investment choices available to the program as an institutional investor. Direct a statewide outreach and marketing effort for the program to create awareness of college costs, savings methods, financial literacy and related information for families.

Total College Savings Accounts

Calendar Year	Goal	Actual
2023*	349,742	386,156
2022	340,604	382,400
2021	320,000	373,877

^{*}Data as of June 30, 2023

^{**}Significant increases in filing volumes due to the implementation of 2021 Wisconsin Act 258 caused delays between December 2022 and April 2023.

Statutory Reporting Requirements

Section 230.215, Wis. Stats.: Part-Time Employment and Flexible-Time Schedules

- Flexible-time schedules are used regularly by DFI employees. With the approval of the appropriate supervisors, DFI employees are allowed to set work schedules that maximize the efficiency of agency operations and the level of services provided to the public.
- Permanent Part-Time Positions: DFI has one permanent part-time position.

Section 409.527, Wis. Stats.: Uniform Commercial Code

• DFI's filing-office rules are in substantial compliance with the requirements of section 409.527.

2021-2023 Biennium Accomplishments

Division of Banking

The Division of Banking regulates and supervises state-chartered banks, savings institutions, and consumer financial services industries. In addition, the division licenses loan companies, mortgage bankers, mortgage brokers, loan originators, collection agencies, community currency exchanges, sales finance and adjustment service companies, sellers of checks, insurance premium finance companies, payday lenders, and credit services organizations. It also regulates auto dealers' installment sales contracts and leases. The division investigates applications for expanded banking powers, new financial products, and interstate bank acquisitions and mergers. The division also administers the Wisconsin Consumer Act, which includes addressing consumer complaints and advising consumers and lenders regarding their rights and responsibilities under consumer law.

- As of June 30, 2023, assets of the state-chartered commercial banks in Wisconsin totaled \$66.8 billion, compared to \$67.0 billion as of June 30, 2021.
- The number of state-chartered commercial banks declined from 139 as of June 30, 2021, to 128 as of June 30, 2023 (the 128 total includes four non-depository trust companies).
- Net loans and leases at state-chartered commercial banks totaled \$48.0 billion as of June 30, 2023, up from \$44.0 billion as of June 30, 2021.
- The number of state-chartered savings institutions remained at 14 as of June 30, 2023. Assets of savings institutions have increased from \$5.9 billion as of June 30, 2021, to \$8.6 billion as of June 30, 2023. Net loans and leases at savings institutions increased from \$4.1 billion as of June 30, 2021, to \$6.5 billion as of June 30, 2023.
- Over the course of the biennium, the average bank has grown from \$489 million in assets on June 30, 2021, to \$546 million on June 30, 2023.
- Fiduciary assets increased from \$30.3 billion as of December 31, 2020, to \$33.3 billion as of December 31, 2022 (figures include assets of four independent trust companies and banks with trust departments). Note: Year-end figures are used because they reflect the most recently completed reporting for some trust departments.

- From July 1, 2021, through June 30, 2023, there were 10 mergers with state-chartered institutions, three voluntary liquidations, 11 acquisitions of an in-state bank holding company or in-state bank by a bank holding company, one bank that relocated its main office, and three institutions that changed their names.
- One federally-chartered savings bank converted to a state-chartered savings bank during the biennium.
- The division implemented a hybrid exam policy, combining on-site and off-site reviews of our financial institutions.
- Additional information about bank performance may be found on the division's <u>Banking</u> & Savings Institution Reports & Indicators webpage.
- The division's Bureau of Licensed Financial Services regulates and licenses 19,132 licensed financial services providers as of June 30, 2023.
- In addition, the Bureau of Licensed Financial Services produced annual reports of Wisconsin's payday lending industry for the calendar years 2021 and 2022. DFI assumed oversight of payday lending effective January 2011 with the approval of 2009 Wisconsin Act 405.

Division of Corporate & Consumer Services

The Division of Corporate and Consumer Services is responsible for processing and filing business records for corporations and other entities. It files articles of incorporation and other organizational records, documents that effect mergers, consolidations, and dissolutions, and the annual reports of various businesses, including partnerships, corporations, limited liability companies, cooperatives, and out-of-state entities. The division also files documents under the uniform commercial code and maintains the statewide uniform commercial code lien system. In addition, the division commissions and regulates notaries public; issues apostilles; administers the state trademark registration system; and registers cable/video service franchises, homeowners' associations, professional employer organizations, professional fund-raisers, and charitable organizations.

- The DFI was the first agency to launch Okta, a statewide external identity management system, for the web application.
- 2021 Wisconsin Act 258 was enacted on April 15, 2022. The division created new system requirements to support changes required by the Act, which substantially adopted the Revised Uniform Limited Partnership Act / Revised Uniform Limited Liability Company Act (RULPA/RULLCA). The changes went live on December 28, 2022. The new laws applied to LLCs and LPs formed on or after January 1, 2023, and to existing LLCs and LPs that did not file statements of non-applicability before that date. These new requirements significantly increased filing activity between December 2022 and April 2023 with more than 17,000 statements of non-applicability received and processed.
- Data sales were moved from providing data on CDs to getting buyers access online through ShareFile, a secure file sharing application. This eliminated material cost and time to create CDs. It made the process faster and more user friendly.
- All of the division's website content and forms were updated and went live with the new DFI website in March 2023.

- Remote Online Notary technology providers were evaluated and approved in conjunction with the Remote Notary Council.
- The notary system modernization was completed, which added functionality and improved the customer experience by allowing them to pay and file in one web portal.
- The trademark and uniform commercial code administration system, Civix, went through a data migration. The data migration was completed in July 2023.
- 2021 Wisconsin Act 199 was enacted on March 18, 2022. Among other provisions, the Act required the DFI to create a public database for notices filed by homeowners' associations (HOAs) in the state. The new system went live on December 14, 2022, and 302 HOAs had filed notices with the DFI as of June 30, 2023.
- As of June 30, 2023, there were 581,786 active business entities registered, a net increase of 66,116 active business entities over the previous biennium.
- In the 24 months ending on June 30, 2023, the division:
 - o Processed a total of 1,074,962 documents, 902,313 of which were received online.
 - The number of "statement of change" forms increased significantly in 2023 due to the new 2021 Wisconsin Act 258 requirement for filers to provide an email address.
 - o Recorded 371,655 uniform commercial code filings, a decrease of 14,130 (3.7%) from the previous period.
 - o Processed 3,805 apostille requests, an increase of 957 (34%) from the previous period.
 - Reported 11,697 active charitable organizations registered, an increase of 520 (4.6%) from the previous period.
 - o Examined and filed 29,484 notary applications, a decrease of 902 (3%) from the previous period.
 - o Processed 10,052 trademark registrations, an increase of 756 (8%) over the prior period.

Division of Securities

The Division of Securities regulates the sale of investment securities and franchises under the Wisconsin Uniform Securities Law and the Wisconsin Franchise Investment Law. It manages registrations and notice filings for offerings. The division registers broker-dealers, securities agents, investment advisers and investment adviser representatives and monitors their activities through examinations. It also investigates complaints and, when violations are detected, initiates the appropriate administrative, injunctive, or criminal action.

- The Bureau of Professional Registration and Compliance oversees the registration of securities broker-dealers, investment advisers, and their registered professionals, as well as the regulation of securities offerings.
- Professional registration totals as of June 30, 2023, were:
 - o 1,613 broker-dealers, an increase of 1.6% compared to 2023.
 - o 192,464 securities agents, an increase of 17% compared to 2021.
 - o 337 state-registered investment advisers, a decrease of 3.7% compared to 2021.
 - o 10,896 investment adviser representatives, an increase of 2% compared to 2021.

- Division staff conducted 181 on-site examinations, including 160 investment advisers and 21 broker-dealers, which was nearly equivalent to the total number of exams during the previous two-year period. This year's balance reflects an increased focus on broker-dealer exams during the two-year period.
- In 2022, the division completed the adoption of Chapter DFI-Sec 11 of the Wisconsin Administrative Code, requiring that registered investment adviser representatives complete 12 credits of continuing education (CE) each year by December 31st. When the new CE requirement became effective as of January 1, 2023, division staff continued conducting outreach and began monitoring compliance with the CE rules. The division also began creating original continuing education courses with the first course, regarding conduct prohibited by section DFI-Sec 5.06 of the Wisconsin Administrative Code, launched in early May 2023 through the North American Securities Administrators Association (NASAA) website.
- As of June 30, 2023, there were 24,243 active mutual funds filed in Wisconsin, representing a 3% decrease since June 30, 2021.
- As of June 30, 2023, there were 3,308 active franchise registrations in Wisconsin, representing a 16% increase since June 30, 2021.
- Bureau of Enforcement activities during the biennium (from July 1, 2021, through June 30, 2023) included:
 - o The division issued 47 cease and desist orders against 78 persons or entities in violation of Ch. 551 or Ch. 553.
 - Enforcement investigations resulted in a total of \$25,731,111.62 imposed for the benefit of investors as restitution, disgorgement, rescissions, and settlements through administrative and/or criminal proceedings.
 - o Penalties and costs in the amount of \$1,508,528.30 were assessed through administrative and/or criminal proceedings.
 - o Prosecutions resulted in 21 criminal complaints filed and 8 criminal convictions related to violations investigated by the division.
- The Enforcement Bureau actively participated in several resource-intensive NASAA multi-state enforcement investigations involving precious metal and cryptocurrencies, resulting in 10 administrative orders or civil enforcement settlement agreements. These collaborative investigations and enforcement actions bring meaningful financial penalties and restitution to investors across the United States, including Wisconsin investors.

Office of Credit Unions

The Office of Credit Unions regulates state-chartered credit unions. It charters new credit unions, examines credit union records and assets, acts on applications and requests from credit unions that require the office's approval, including mergers of credit unions within the state, and in cooperation with similar agencies in neighboring states, approves interstate mergers. If a credit union is not in compliance with state law, the office may remove its officers, suspend operations, or take possession of the credit union's business.

2021-2023 Accomplishments & Activities:

- As of June 30, 2023, the Office of Credit Unions regulated 109 state-chartered credit unions with assets totaling \$62.2 billion. This represented a decrease of eight regulated credit unions, but an increase of more than \$8 billion in assets since June 30, 2021.
- Total loans as of June 30, 2023, were over \$48 billion, an increase of almost \$12 billion since 2021. Loans represented almost 91% of shares and 77.5% of assets.
 - o Real estate loans comprised 43.45% of total loans.
 - o Personal loans comprised 41.08% of total loans.
 - o Commercial loans comprised 15.46% of total loans.
- Cash and total investments totaled more than \$11 billion as of June 30, 2023, and represented 17.82% of assets.
- Total savings increased over \$7 billion from June 30, 2021, to \$53.2 billion in total savings as of June 30, 2023.
- Total net worth for Wisconsin state-chartered credit unions as of June 30, 2023, was 10.51% of assets. This ratio increased from 10.32% as of June 30, 2021. In dollars, the amount increased by over \$400 million.
- The delinquent loan ratio increased, rising from 0.41% to 0.68% in the two-year period. The charge-off ratio also increased from 0.18% to 0.24%.
- The return on average assets ratio declined from 1.38% to 0.73%, which is primarily driven by the larger credit unions in the state. Net income declined to \$223,136,606, affected by an increase in the provision for loan loss and the cost of funds which has tripled since 2021 due to multiple federal reserve interest rate increases since the first quarter of 2022.
- In response to the continued increase in cyber-attacks on the financial industry, the Office of Credit Unions has implemented a new Information Security Exam (ISE) for all state-chartered credit unions in conjunction with the National Credit Union Administration (NCUA) at the federal level. The Office of Credit Unions has also taken part in a national tabletop exercise hosted by the U.S. Treasury to test incident response readiness by state credit union regulators. The Office of Credit Unions also served on a panel with the U.S. Treasury and the FBI to discuss ransomware attacks against financial institutions in the United States to a nationwide audience.
- The Office of Credit Unions has redesigned the exam process to focus examinations more intensely on the risks posed by the individual credit union. During the first quarter of 2022, this redesigned process was tested in the field, and then implemented successfully in the second quarter of 2022.
- On October 24, 2022, the National Association of State Credit Union Supervisors (NASCUS) <u>announced</u> that the Office of Credit Unions earned reaccreditation following a series of in-depth reviews and assessments by a panel of veteran state supervisors.
- Additional information about credit union performance may be found in the quarterly financial bulletins on the Office of Credit Unions' <u>Credit Union Financial Data</u> webpage.

Office of Financial Literacy

The Office of Financial Literacy provides information to the public on matters of personal finance and investor protection, with an emphasis on the financial and economic literacy of

Wisconsin's youth. This office also provides administrative support to the Governor's Council on Financial Literacy and Capability.

- The <u>Governor's Council on Financial Literacy and Capability</u> is fulfilling its expanded mission, which now includes helping Wisconsinites build financial capability and identifying ways to improve the financial inclusion of all Wisconsin residents. The Office of Financial Literacy directed the Council in the following accomplishments:
 - o Conducted two Governor's Financial Literacy Awards programs honoring 17 individuals and 17 organizations.
 - Conducted two Wisconsin summits on financial literacy at Lambeau Field with more than 140 participants. Due to the COVID-19 global pandemic, the event was held virtually in 2021.
 - o Launched ELEVATE Wisconsin[®]: The Course to Financial Security, a new financial wellness program announced by Governor Tony Evers on June 28, 2022. The program was created in collaboration with the Financial Fitness Group to help bridge the financial literacy gap across the state. ELEVATE Wisconsin® provides interactive, effective, and unbiased online instruction in personal finance and investing fundamentals. The goal of this demonstration project is to help educate and empower more than 100,000 individuals by 2025. Wisconsin state agency employees have access to the financial education platform and over 2,000 state employees are using the program so far. Non-state agency employers interested in offering this program to their employees can "join the waitlist" by signing-up on the ELEVATE Wisconsin[®] website. In addition to the State of Wisconsin, 12 employers and 11 sponsors are participating in ELEVATE Wisconsin[®]. The program is an expansion of a prior collaboration between the DFI and the Wisconsin Department of Employee Trust Funds called the Wisconsin Strong: Your Financial SecurityTM program, which helped educate over 12,000 State of Wisconsin employees from 2021-2022.
- As of 2023, 96% of school districts require or offer personal finance education courses in high school (up from 93% in 2021), due in part to Office of Financial Literacy initiatives. However, only 35% of schools guarantee students have one semester of personal finance education before graduating, while 61% provide students with the option to take an elective personal finance education course.
- The Office of Financial Literacy and its partners supported teacher training offerings through the Forward Learning Institute of Financial and Economic Literacy, which is a collaborative professional development program designed to meet current needs and support educators in building financial literacy and capability in Wisconsin. The online teacher training speaker series provided ongoing resources, training, and support. The training also included two in-person professional development days in Milwaukee on June 2, 2022, and April 10, 2023. Every Milwaukee Public Schools (MPS) high school now has a personal finance teacher and class in part due to the Office of Financial Literacy and its partners' support. This implementation has evolved since MPS adopted a one-semester personal finance course graduation requirement in April 2021.
- In May 2021, the Office of Financial Literacy partnered with a broad coalition of Wisconsin organizations to launch the <u>Wisconsin Saves Automatic Saving Initiative</u> to

- encourage Wisconsinites to establish emergency savings accounts through automated saving. The pilot ended on August 31, 2022. At that time, 111 employers representing more than 15,000 employees signed up to receive and use the resources in the digital tool kit to promote automatic saving through split deposit to their employees. One-third of the surveyed employers said that they saw an increase in split deposit and an increase in retirement savings plan participation. Two-thirds said they received positive impact from their employees. The Wisconsin Saves pilot serves as a replicable model for other states.
- Wisconsin has over 700,000 student loan borrowers. There have been many changes to federal student loan repayment programs adding confusion and creating an environment for scams. The Office of Financial Literacy led and supported a series of webinars, entitled "How to Avoid Scams, Use Free Repayment Tools & Save Money," in cooperation with the Wisconsin Department of Agriculture, Trade and Consumer Protection and Savi. Savi is a social impact technology startup in Washington, D.C. that is working to solve the student debt crisis. Savi's student loan website and tools answer questions about student loan repayment and explain how its tools can help borrowers navigate the complexities of federal student loan repayment plans, forgiveness programs, and lowering student loan payments. Over 2,300 Savi accounts have been created since the start of this initiative. The DFI currently provides Savi's tools at no cost to Wisconsin residents during this pilot.
- The Office of Financial Literacy led the renewal of Money Smart Wisconsin Week, a financial literacy awareness and education campaign done in partnership with Wisconsin regional teams and partners. Due to the COVID-19 pandemic, in-person events were canceled; however, during the week of April 15-21, 2023, many educational activities resumed. The DFI and partners held virtual and in-person educational presentations. A statewide financial literacy essay contest for high school students was held and awarded \$1,000 Edvest scholarships to 12 students. The "Big Read" was held in locations across Wisconsin where volunteers read personal finance books to preschool and elementaryaged students. Each child received a copy of the book to take home with them to read. Many libraries, schools, community organizations, and businesses participated.
- The Office of Financial Literacy continued its commitment to the Finance and Investment Challenge Bowl, an educational game using a quiz show format, which challenges high school students and tests their knowledge on personal finance, business, economics, and current events. The event is comprised of 12 regional tournaments involving 196 schools and 1,765 students.
- The Office of Financial Literacy participated in the Wisconsin Student Diversity Internship Program by hiring an intern who worked on financial literacy and capability projects during the summer of 2022. The State of Wisconsin Student Diversity Internship Program is administered by the Bureau of Equity & Inclusion in collaboration with the Bureau of Merit Recruitment and Selection.
- The DFI supported the FAFSA® Completion Task Force as part of the department's work with the Wisconsin Association of Student Financial Aid Administrators. The task force assists Wisconsin students and their families in completing the Free Application for Federal Student Aid (FAFSA®) and makes sure any FAFSA® problems are resolved prior to the beginning of the students' academic year.

Wisconsin 529 College Savings Program

The Wisconsin 529 College Savings Program offers two savings plans under Section 529 of the U.S. Internal Revenue Code: Edvest 529 (direct-sold) and Tomorrow's Scholar (advisor-sold). Both plans are qualified tuition programs under 26 USC 529 and are administered by the DFI's Office of Financial Capability and the Wisconsin College Savings Program Board. The Office of Financial Capability brings together financial literacy, financial wellness and security, college affordability, and the Wisconsin 529 College Savings Program to help advance a savings mindset throughout every life stage. Investment decisions for the Wisconsin 529 College Savings Program Board.

- The Wisconsin 529 College Savings Program continues to grow in total accounts and assets under management.
 - O During the biennium, net total accounts grew to 386,156, an increase of 5.7% in absolute numbers compared to 2021. This total represents 222,738 Edvest 529 accounts and 163,418 Tomorrow's Scholar accounts as of June 30, 2023.
 - Assets managed by the College Savings Program as of June 30, 2023, were \$6.934 billion, consisting of \$4.748 billion in the Edvest 529 plan and \$2.186 billion in the Tomorrow's Scholar plan.
 - O Target date funds continue to be the most popular investment option for participants of both plans, with 49.4% of Edvest 529 plan participants choosing an enrollment year option that aligns with the year their beneficiary will enroll in post-secondary education, and 52% of Tomorrow's Scholar plan participants choosing an age-based option that aligns with the age of their beneficiary.
 - o As of June 30, 2023, the average Edvest 529 account size is \$21,316 and the average Tomorrow's Scholar account size is \$19,299.
 - O Households in all 72 counties are participating in either the Edvest 529 plan or the Tomorrow's Scholar plan. Strategic partnerships and paid and earned media educate families and advisors across the state on the benefits of each plan.
 - o About 12% of Edvest account owners and 33% of Tomorrow's Scholar account owners are out-of-state, in part due to attractive fees and performance.
 - O Qualified distributions for each plan lead all distribution types for the biennium, showing that plan participants are using their 529 savings for their intended purpose, qualified education expenses.
- The College Savings Program staff work collectively with each plan's respective program manager to plan and execute annual marketing and outreach strategies aimed at increasing plan participation.
 - o The Edvest 529 marketing model aims to generate new accounts, increase contributions, enhance leads, retain account owners, and replace funds paid out to participants. Edvest 529 marketing runs 365 days a year across the state.
 - O Tomorrow's Scholar marketing targets investment advisors at omnibus firms and in target states (states without a state tax-deduction). During the biennium, College Savings Program staff began partnering with Tomorrow's Scholar field consultants to educate investment advisors on the benefits of helping clients save for college with a Tomorrow's Scholar plan and how 529 savings work in tandem with financial aid.

- During the biennium, the College Savings Program participated in more than 85 engagement activities, including online webinars, benefit fairs, in-person workshops, conference presentations, <u>Edvest At Work</u> onboarding sessions, and community events.
- o In 2022, Edvest 529 celebrated its 25th anniversary with a promotion aimed at enhancing plan awareness across the state, increasing accounts, and rewarding new and established college savers. The promotion generated 4,480 testimonials on how Edvest 529 has helped or will help pay for educational costs.
- Edvest 529 continues to offer incentives which reward new account owners who set up recurring contributions (usually for at least six months) with an account deposit. During the biennium, the Edvest 529 plan executed six incentive campaigns that resulted in 5,817 new accounts and nearly \$158 million in contributions.
- O During the biennium, the Edvest 529 plan added 33 employers to its Edvest At Work network, making it easy for employees to contribute to their Edvest 529 plan via payroll direct deposit. New employers represent a variety of sectors as well as several municipalities across the state.
- Both plans continue to focus on low fees, performance, and continuous improvement.
 - O As of June 30, 2023, the Edvest 529 plan was the fifth-lowest cost 529 plan available nationwide, according to ISS Market Intelligence, 529 College Savings Fee Analysis 2Q 2023. In July 2022, the plan's program management fee was reduced to six basis points from seven, and the state continues to completely waive its state administrative fee.
 - o The Tomorrow's Scholar plan lowered its underlying fees every year in the biennium, and total annual asset-based fees are in line with the median when compared to all other advisor-sold 529 plans nationwide. Furthermore, in December 2022 the Wisconsin College Savings Program Board further reduced the plan's state administrative fee from six basis points to five basis points.
 - o In November 2022, the Edvest 529 plan improved its Morningstar ranking from a Bronze Medal to a Silver Medal the only plan to move from Bronze to Silver in 2022.
 - o In March 2022, the Edvest 529 plan launched an updated brand, which included a new website, logo, and tagline.
 - O The Tomorrow's Scholar plan has implemented enhancements to its investor portal (including online gifting pages that have generated over \$1.2 million in gift contributions) and its advisor portal (to allow for initiating and changing automatic investment plans, processing additional purchases, requesting distributions, changing account information, and viewing trades). Additionally, the plan's program manager continues to focus on adding omnibus relationships to enhance and improve the advisor experience. As of June 30, 2023, there are seven omnibus relationships in place.

2023-2025 Biennial Budget (2023 Wisconsin Act 19)

Comparative Provisions of the 2023-2025 Biennial Budget (2023 Wisconsin Act 19)

Budget Summary				FTE Position Summary						
2023-25 Ch 2022-23 Act 19 Base Year		_			t 19	2024-25 Over 2022-23				
Fund	Adjusted Base	2023-24	2024-25	Amount	%	2022-23	2023-24	2024-25	Number	%
PR SEG TOTAL	\$18,329,700 <u>999,600</u> \$19,329,300	\$19,433,000 <u>949,500</u> \$20,382,500	\$21,196,400 949,500 \$22,145,900	\$3,970,000 - 100,200 \$3,869,800	10.8% - 5.0 10.0%	138.54 <u>3.00</u> 141.54	138.54 3.00 141.54	138.54 <u>3.00</u> 141.54	0.00 0.00 0.00	0.0% 0.0 0.0%

Standard Budget Adjustments

The 2023-2025 Biennial Budget (2023 Wisconsin Act 19) provided adjustments to the DFI's base budget for: (a) turnover reduction (-\$504,300 in Program Revenues (PR) annually); (b) full funding of continuing position salaries and fringe benefits (\$667,400 in PR annually and -\$61,000 in Segregated Fund Revenues (SEG) annually); and (c) full funding of lease and directed moves costs (-\$59,800 in PR and \$10,900 in SEG annually).

Department Operations

The 2023-2025 Biennial Budget (2023 Wisconsin Act 19) provided \$1,000,000 annually for the DFI's central duties including the maintenance and upgrade of critical information technology infrastructure, financial examiner travel and training costs, and accreditation cost.

Securities Filing Technology Project

The 2023-2025 Biennial Budget (2023 Wisconsin Act 19) will provide \$1,038,900 in 2024-25 to update and enhance the DFI's securities filing technology systems. Under current law, securities sold in Wisconsin must be: (a) registered with the DFI's Division of Securities; (b) exempt from registration; or (c) submitted to the DFI's Division of Securities 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 transferred into the federal system. This project is intended to maintain electronic transfer between systems.

Uniform Commercial Code and Trademark Filing System Technology Project

The 2023-2025 Biennial Budget (2023 Wisconsin Act 19) will provide \$724,500 in 2024-25 for modernization of the DFI's uniform commercial code and trademark processing and filing technology systems on a one-time basis. The new contract will include a one-time implementation fee of \$724,500 in the 2023-25 biennium and annual software service costs in the 2025-27 biennium.