

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: SB501

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Surovell

3. Committee: Education and Health

4. Title: Virginia College Savings Plan; Virginia College Opportunity Endowment and Fund.

5. Summary: Directs the board of the Virginia College Savings Plan (the Plan) to deposit \$250 million per year of surplus moneys from the Plan's fund into the Virginia College Opportunity Fund (the Fund), established by the bill. The bill provides that such deposit shall not be made or shall be reduced in any year in which the College Opportunity Investment Advisory Committee (the Committee) determines that certain conditions relating to the Plan's funded status are not met. The Committee is established by the bill as an advisory committee for the Plan, for the purpose of determining the amount of deposits to be made to the Fund. The bill provides that financial management of the Fund is the responsibility of the board of the Plan but authorizes the board of the Virginia College Opportunity Endowment (the Endowment), also established by the bill, to manage a scholarship program funded by the Fund. The bill establishes an individual and corporate income tax subtraction for donations to the Fund. Under the bill, the Endowment provides scholarships to students who attend or plan to attend one of 12 eligible universities named in the bill. The bill provides that only such students who meet the eligibility requirements for a Federal Pell Grant and commit to being employed in Virginia, or being enrolled in postgraduate education in Virginia, for at least eight years after graduation from an eligible university are eligible for such scholarships.

6. Budget Amendment Necessary: Yes, item 483

7. Fiscal Impact Estimates: Preliminary, indeterminate—see item 8

8. Fiscal Implications:

Virginia College Savings Plan

The bill directs the establishment of a new agency, the Virginia College Opportunity Endowment, and a board for the agency. The board is to manage a scholarship program supported by the Virginia College Opportunity Fund. The Virginia College Opportunity Fund, created by the bill, is to receive a \$250 million deposit from the Virginia College Savings Plan (Virginia529) annually of surplus moneys from the DB529 fund. The deposit shall not be made or may be reduced if the College Opportunity Investment Advisory Committee determines that certain conditions related to the Plan's funded status are not met.

Virginia529 indicates that the cost of additional personnel to provide services to the Virginia College Opportunity Endowment is estimated at \$1,470,000 annually. This cost estimate is inclusive of 10 nongeneral fund FTEs for accounting, investments, information technology, security, and compliance purposes.

| | Based on FY25 numbers | | |
|----------------------------------|------------------------------|-------------------|---------------------|
| | Salary | Fringes | Total |
| Accountant III | \$ 117,000 | \$ 58,000 | \$ 175,000 |
| Accountant III | \$ 117,000 | \$ 58,000 | \$ 175,000 |
| Investment Analyst II | \$ 123,000 | \$ 67,000 | \$ 190,000 |
| Investment Analyst II | \$ 123,000 | \$ 67,000 | \$ 190,000 |
| Operations Analyst III | \$ 75,000 | \$ 50,000 | \$ 125,000 |
| Systems Engineer III | \$ 100,000 | \$ 35,000 | \$ 135,000 |
| Information Security Engineer II | \$ 129,000 | \$ 51,000 | \$ 180,000 |
| Compliance Analyst II | \$ 125,000 | \$ 55,000 | \$ 180,000 |
| 2 FTEs (as needed) | \$ 120,000 | \$ 60,000 | \$ 180,000 |
| | \$ 1,029,000 | \$ 441,000 | \$ 1,470,000 |

Virginia529's personnel cost estimate is not inclusive of program management, legal services, communications, and administrative staff support for the Endowment. As the provisions of the bill have not yet been implemented, this fiscal impact is indeterminate.

Additionally, the bill establishes certain scholarship requirements for students if they are to receive one from the Virginia College Opportunity Endowment. If the student breaches one of these commitments, they must repay the Endowment over a maximum of eight years. Virginia529 stipulates that the development of an enforcement and collection system for forfeited scholarships would create a fiscal impact. That fiscal impact is currently indeterminate.

Any fiscal impact from compensating and reimbursing the nonlegislative members of the College Opportunity Investment Advisory Committee is a minimal and absorbable cost to Virginia529.

Department of Taxation

Regarding any administrative costs from processing donations, The Department of Taxation considers implementation of this bill as routine and does not require additional funding. However, the Department of Taxation indicates that this bill will have an unknown negative General Fund revenue impact beginning in Fiscal Year 2025. However, the exact amount of the loss is indeterminate because it is uncertain how many taxpayers would donate to the Virginia College Opportunity Fund and the amounts that would be donated and, therefore, deducted on their income tax returns. The provision adding the Fund to the list of voluntary contributions would have no revenue impact, as it would simply allow taxpayers to contribute their income tax refunds to the Fund.

Institutions of Higher Education

The fiscal impact to public institutions of higher education is currently indeterminate. Estimates will be provided as soon as they are available.

9. Specific Agency or Political Subdivisions Affected: Virginia College Savings Plan, Department of Taxation, eligible universities (as defined in SB501)

10. Technical Amendment Necessary: No

11. Other Comments: This bill is similar to HB1305.