

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: SB215

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

2. Patron: Howell, J.D.

3. Committee: Education and Health

4. Title: Virginia College Savings Plan; declares Plan to be a body politic and corporate.

5. Summary: This bill declares the Virginia College Savings Plan to be a body politic and corporate, making it an incorporated government agency. The purpose of this change is to enable the agency to invest in certain types of securities that federal regulation currently prevents.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Fiscal impact estimates are final. See Item 8.

7a. Expenditure Impact: None.

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014	0	NGF
2015	3,793,692	NGF
2016	8,137,470	NGF

8. Fiscal Implications: According to the Virginia College Savings Plan, this bill will have no impact on expenditures and could increase revenue within its college savings plans beginning in FY 2015. The agency states that the expected revenue impact is equal to one percent of investments within its high-yield portfolios.

The additional revenue is anticipated as a result of the agency being considered a Qualified Institutional Buyer and an Accredited Investor by the Securities Exchange Commission after it is declared a body politic and corporate. These designations would allow the agency to invest in unregistered securities, particularly those restricted under Rule 144A of the federal 1933 Securities Act. Currently, the agency is able to purchase and does hold this type of securities after they become freely tradable at either six months or one year after issuance. However, it is unable to purchase them before they are freely tradable because it is not currently considered a Qualified Institutional Buyer or Accredited Investor. The agency reports Rule 144A securities represent approximately 37 percent of the high-yield market and almost 80 percent of new corporate issues. The agency's ability to purchase these securities

before they are freely tradable is expected to facilitate broader portfolio diversification and the higher investment returns reflected in Item 7 above.

Approximately \$3.0 of the \$3.8 million in FY 2015 and \$6.5 of the \$8.1 million additional estimated revenue in FY 2016 is expected to be within the agency's prePAID college tuition contracts fund. This fund supports tuition payments for plan beneficiaries that have purchased a prepaid tuition contract, whereby advance payment of tuition is made at a fixed, guaranteed level. The remaining revenue is anticipated within the agency's inVEST college savings program portfolio within account holders' age-based evolving portfolios. The agency has 67,000 prePAID and 85,000 inVEST account holders.

According to the Virginia College Savings Plan, there are no additional risks or exposures to the Commonwealth as a result of the agency becoming a body politic and corporate and it will be assuming no additional risks by investing in unregistered securities because it already purchases these securities once they are freely tradable within its high-yield portfolios.

9. Specific Agency or Political Subdivisions Affected: Virginia College Savings Plan

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is identical to HB203.

Date: 1/15/2014

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