

## Department of Planning and Budget 2018 Fiscal Impact Statement

**1. Bill Number:** SB656

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

**2. Patron:**    Hanger

**3. Committee:** Education and Health

**4. Title:**    Virginia College Savings Plan.

**5. Summary:** Makes several changes to the provisions that establish the Virginia College Savings Plan (the Plan), including (i) clarifying that members of the Plan's governing board (the board) are required to disclose personal interests pursuant to the State and Local Government Conflict of Interests Act, (ii) permitting the Plan to maintain an independent disbursement system for the disbursement of prepaid tuition contract benefits, and (iii) requiring each prepaid tuition contract entered into on or after July 1, 2018, to include provisions for the application of tuition prepayments, at a rate equal to the percentage of enrollment-weighted average tuition at public institutions of higher education to be determined by the board, at (a) public institutions of higher education, (b) accredited nonprofit independent or private institutions of higher education, and (c) non-Virginia public and accredited nonprofit independent or private institutions of higher education, provided that no such payment is less than the sum of tuition prepayments made, less any fees as determined by the board.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate, see Item 8.

**8. Fiscal Implications:** One provision of this legislation would allow the Virginia College Savings Plan to maintain an independent disbursement system for the disbursement of prepaid tuition contract benefits. This independent disbursement system could reduce the number of transactions the Plan completes in the Cardinal financial system each year, which could create a fiscal impact to other state agencies.

The costs of the Cardinal financial system are allocated to state agencies based on the number of transactions completed in the system. If an agency's share of the total number of transactions decreases, the agency's share of Cardinal costs is reallocated to other state agencies. As the Virginia College Savings Plan is funded entirely by nongeneral fund revenue, any shift in its Cardinal costs to other state agencies would create a general fund impact. The actual impact is currently indeterminate as it is unknown how many of the Virginia College Savings Plan's Cardinal transactions would be eliminated by using the new independent disbursement system created in the bill. The actual impact will also depend on transaction volume changes at all other state agencies, which is also currently unknown.

For reference, the Virginia College Savings Plan's estimated Cardinal charges for the next biennium are \$88,907 in fiscal year 2019 and \$91,711 in fiscal year 2020. The annual cost of the Cardinal financial system is approximately \$26 million, with approximately 27 percent of the cost being paid by the general fund.

The other provisions of this bill are not expected to create a state fiscal impact.

For reference, the latest Joint Legislative Audit and Review Commission (JLARC) report on the Prepaid529 fund found that the fund had a funded status of 138 percent as of June 30, 2017.

**9. Specific Agency or Political Subdivisions Affected:** Virginia College Savings Plan, all state agencies with Cardinal financial system charges

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** This bill is identical to HB1199.