

1995 SESSION

INTRODUCED

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HOUSE JOINT RESOLUTION NO. 265

Offered January 25, 1994

Requesting the Secretary of Finance to study the financial, administrative, marketing, and tax implications of a prepaid tuition program.

Patrons—Cantor, Connally, Cox, Griffith, Jackson, Katzen, Mims, Newman, Purkey, Rhodes, Wagner and Way; Senators: Bell and Stosch

Referred to Committee on Finance

WHEREAS, recognizing the critical value of higher education to individuals as well as to the general public, a number of states have established programs to encourage citizens to pursue higher education through the advance payment of tuition at a fixed, guaranteed level; and

WHEREAS, these prepaid tuition programs are designed to foster timely financial planning and to broaden the accessibility of higher education; and

WHEREAS, despite the complex tax ramifications and recent rulings from the Internal Revenue Service that have affected the operation of some of these programs, experts have contended that the concept of a prepaid tuition program is "an evolving one that demands further consideration" and that these plans are valuable and worthwhile; and

WHEREAS, the 1992 Session of the General Assembly requested the State Council of Higher Education (SCHEV), in cooperation with the Department of the Treasury, to study the efficacy and appropriateness of establishing a prepaid tuition program with the Commonwealth's system of higher education pursuant to House Joint Resolution No. 200 and Senate Joint Resolution No. 48; and

WHEREAS, in its 1993 report (HD 53), SCHEV and the Department indicated that "a more complete [financial] analysis must be conducted to determine the financial feasibility of initiating such a program and an accrual analysis to determine the pricing policy and rates to be considered" and recommended that the State Treasurer investigate the federal and state income tax implications of a prepaid tuition program; and

WHEREAS, while a well-crafted prepaid tuition program, designed to benefit investors, students, and the Commonwealth as a whole, might not only provide valuable investment funds, but might also create additional incentives to pursue higher education, additional study is necessary to determine accurately the financial and tax ramifications of these programs; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Secretary of Finance study the financial, marketing, administrative, and tax ramifications of a prepaid tuition program. The study shall include, among other things, examination of recent rulings regarding prepaid tuition programs in other states; a market study analysis to determine public interest in college savings and prepaid tuition programs; review of the findings and recommendations developed by the Department of the Treasury and the State Council of Higher Education pursuant to HJR 200 and SJR 48 (1992); consideration of the administrative organization needed to operate and market such a program; determination of the financial feasibility of establishing a prepaid tuition program in Virginia; and recommended procedures and policies for the successful implementation of such a program.

The State Treasurer and the Department of Treasury shall provide staff support for the study. All agencies of the Commonwealth shall, upon request, assist the Secretary in the conduct of the study.

The Department shall submit its findings and recommendations to the Governor and the 1995 Session of the General Assembly in accordance with the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

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