

Department of Planning and Budget

2011 Fiscal Impact Statement

1. **Bill Number:** HB2296

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Englin

3. **Committee:** Appropriations

4. **Title:** Establishment of the Commonwealth Scholars Program and Investment Fund

5. **Summary:** Provides for the establishment of the Commonwealth Scholars Program and Investment Fund whereby public or private organizations and individuals may make monetary contributions to provide scholarships for eligible students in order to expand access to higher education.

Each scholarship recipient will be required to sign a promissory note agreeing to annually pay back into the fund a percentage of his annual income, not to exceed five percent, beginning five years after the end of the scholarship funded program, and for a period not to exceed 25 years as determined by the State Council of Higher Education for Virginia.

6. **Budget Amendment Necessary:** Yes, Item 137.

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

8. **Fiscal Implications:** General fund and nongeneral fund appropriation would be required to support this program for staff and administrative overhead by the State Council of Higher Education for Virginia (SCHEV). The appropriation should be equal to the amount of donations and amount anticipated from the fund pay back, plus initially general fund dollars for staff support. The implementation and monitoring of this program could be labor intensive, and according to SCHEV, initially one position and \$90,000 of general fund support would be required to implement and support this program, for salary, benefits, and associated administrative overhead. It is anticipated this program could grow, and thus, require more staff including, but not limited to, program development and marketing staff (to include staff to solicit corporations and donors to fund the program), income verification repayment and collection specialists, and legal counsel. Future costs would be two employees for every 1,000 participants, totaling approximately \$200,000 per year, to include salary, benefits, administrative overhead, and potential staff support.

9. **Specific Agency or Political Subdivisions Affected:** State Council of Higher Education for Virginia, to administer the program, and all public and nonprofit colleges and universities with students participating in this program.

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

11. **Other Comments:** The proposed legislation indicates it is a scholarship program, but the terms and conditions require repayment to the fund by the recipient for a period not to exceed 25 years and a maximum of five percent of the recipients income, making this program a loan/repayment program, similar to the now defunct Virginia Education Loan Authority

(VELA, ca. 1972-1997). The legislation does not provide a correlation between grant award and repayment terms, and does not provide specifics on how contributions to the program would cover the administrative overhead, or if general fund support would supplant these costs. Additionally, the donations would be made to the Commonwealth, versus a 501(3) (c) nonprofit agency, thus, there would be no income tax deduction incentives for corporations or individuals to make contributions.

Date: February 1, 2011