

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1315-ER

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|------------------------|---------------------------------------|-------------------------------------|--|
| House of Origin | <input type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input checked="" type="checkbox"/> Enrolled |

2. Patron: Hanger

3. Committee: Passed Both Houses

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) permitting the Plan to maintain an independent disbursement system for the disbursement of prepaid tuition contract benefits and (ii) requiring each prepaid tuition contract entered into on or after July 1, 2019, 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.

The bill no longer contains an emergency clause.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final – 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 Virginia College Savings Plan completes in the Cardinal Financials system each year, which could create a fiscal impact to other state agencies charged for using the Cardinal Financials system.

The costs of the Cardinal Financials 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 Financials system 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 Financial systems 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 would also depend on transaction volume changes at all other state agencies, which is also currently unknown.

The Virginia College Savings Plan's Cardinal Financials system charges in fiscal year 2019 are \$88,907 and \$117,104 in fiscal year 2020. The annual cost of the Cardinal Financials system in fiscal year 2019 is approximately \$28 million, with approximately 25 percent of the cost being paid by the general fund. The annual cost of the Cardinal Financials system in fiscal year 2020 is approximately \$34 million, with approximately 26 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 actuarial valuation of the PrePaid529 fund shows a funded status of 136.7 percent as of June 30, 2018.

9. Specific Agency or Political Subdivisions Affected: Virginia College Savings Plan and state agencies with Cardinal Financials system charges.

10. Technical Amendment Necessary: No.

11. Other Comments: The enrolled bill is identical to House Bill 1972-E (Robinson).