Department of Planning and Budget
2023 Fiscal Impact Statement

1. **Bill Number:** SB1461

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

2. **Patron:** Surovell

3. **Committee:** Education and Health

4. **Title:** Virginia College Savings Plan; Virginia College Opportunity Endowment and Fund.

5. **Summary:** Directs the board of the Virginia College Savings Plan (the Plan) to deposit $250.0 million per year for the next five year, up to $1.25 billion, of surplus moneys from the Plan's fund in the Virginia College Opportunity Fund (the Fund), established by the bill. The bill provides that such deposit shall not be made or shall be reduced in any year in which the College Opportunity Independent Advisory Committee (the Committee), established by the bill, determines that certain conditions relating to the Plan's funded status are not met. The Committee is established by the bill as a policy committee in the executive branch, for the purpose of determining the amount of deposits to be made to the Fund.

   The bill provides that financial management of the Fund is the responsibility of the board of the Virginia College Savings Plan but authorizes the board of the Virginia College Opportunity Endowment, also established by the bill, to manage a scholarship program funded by the Fund. The bill establishes an individual and corporate income tax subtraction for donations to the Fund.

   Under the bill, the Endowment provides scholarships to students who attend or plan to attend one of 12 eligible universities named in the bill. The bill provides that only such students who meet the eligibility requirements for a Pell Grant and commit to being employed in Virginia, or being enrolled in postgraduate education in Virginia, for at least eight years after graduation from the eligible university are eligible for such scholarships.

6. **Budget Amendment Necessary**: Yes, Item 497, see item 8

7. **Fiscal Impact Estimates:** Preliminary; Indeterminate – see item 8

8. **Fiscal Implications:**

   The Virginia College Savings Plan (Virginia529) indicates that state fiscal impact is currently indeterminate. Transferring assets of the existing trust Fund into a new Endowment structure would result in the need to develop a separate program and operations for the Endowment resulting in additional costs, some of which may be unique to the Endowment structure specified in the bill. Potential costs include, but are not limited to, costs for the following: investment management and other investment-related services, professional services for information technology and information security, actuarial services related to any allocations to the Opportunity Fund and Endowment, additional audit, banking, and outside legal services. This also includes personnel services to provide accounting, financial reporting, operational, investment operations, information technology, information security operations and development, compliance, and other administrative support.

The impact of this bill would be an annual deposit in the amount of $250.0 million in each of the next five years (up to $1.25 billion), to be paid out of the Plan's trust Fund to a new state agency established by the bill but supported by the Plan.

The establishment of the Virginia College Opportunity Endowment (Endowment), also would involve incremental costs associated with transferring assets, creating a new management and operational structure, investment management, and additional programmatic, financial and tax reporting requirements.

The bill requires the Virginia College Savings Plan to provide staff support for the endowment. The Virginia College Savings Plan has not yet determined the scope of the staffing support costs. Providing support for a new agency and Endowment would have costs associated with additional programmatic and financial reporting impacts, which include the following:

- Component Unit Accounting – a separate annual report or separate financial statements included within the overall annual report; this would require an additional separate audit or additional audit work
- Creation of automated transmissions to banking and custodian systems
- Additional programmatic reporting for the new agency's board and any costs of such board
- Additional tax filing requirements, including a separate 990-T and VA500 tax returns for private investment partnerships, if any
- Grants management and additional accounting requirements to account for and track any private donations
- Monitoring required to ensure recipients fulfill residency and work requirements and enforcement mechanisms for scholarship recipients required to reimburse the Fund due to breaching these requirements
- Evaluation of recipients' income and monitoring to ensure compliance requirement is met throughout all periods in which funds are received
- Additional substantiation for withdrawal processes as scholarships have additional withdrawal requirements than a standard 529 account
- If donations are received, a 1099 reporting process will need to be implemented for Donors

However, it is uncertain how policy committee members will be reimbursed for their services per §2.2-2743.1, Paragraph F or how Board members will be reimbursed for their services per §23.1-715, Paragraph F.

The fiscal impact to public institutions of higher education is currently indeterminate. Estimates will be provided as soon as they are available.

The Department of Accounts anticipates indeterminate deminimis costs associated with the creation of a new fund and agency code.

The Department of Treasury does not expect a fiscal impact from this bill.

Regarding any administrative costs from processing donations, The Department of Taxation considers implementation of this bill as routine and does not require additional funding. However, the Department of Taxation indicates that this bill will have an unknown negative General Fund revenue impact beginning in Fiscal Year 2024. However, the exact amount of the loss is unknown because it is uncertain how many taxpayers would donate to the Virginia College Opportunity Fund and the amounts that would be donated and, therefore, deducted on their income tax returns. The provision adding the Fund to the list of voluntary contributions would have no revenue impact, as it would simply allow taxpayers to contribute their income tax refunds to the Fund.

9. **Specific Agency or Political Subdivisions Affected:** Virginia College Savings Plan, Department of Accounts, Department of Taxation, Auditor of Public Accounts, Department of the Treasury, House, Senate, eligible universities (as defined in SB1461), and Division of Legislative Services.

10. **Technical Amendment Necessary:** No

11. **Other Comments:** None