Department of Planning and Budget 2025 General Assembly Session State Fiscal Impact Statement

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Bill Number: SB835 Patron: Surovell

Bill Title: Commonwealth Savers Plan; Virginia College Opportunity Endowment and Fund

established; report.

Bill Summary: Establishes (i) the Endowment Scholarship Program for the purpose of providing scholarships to students at eligible institutions, as defined in the bill; (ii) the Virginia College Opportunity Endowment as an agency of the Commonwealth for the purpose of establishing and administering the Endowment Scholarship Program; (iii) as a subfund of the Commonwealth Savers Plan's fund, the DB529 Fund for the purpose of holding in trust the assets of prepaid tuition contracts to meet contractual obligations; (iv) as a subfund of the Commonwealth Savers Plan's fund, the Virginia College Opportunity Fund (the Opportunity Fund), into which certain funds from the DB529 Fund shall be deposited for the purpose of funding, by income generated from investments of such deposits, the Endowment Scholarship Program and other programs established for the purpose of enhancing educational access and affordability for students with recognized financial need, as set forth in the bill; and (v) the College Opportunity Investment Advisory Committee for the purpose of making recommendations to and assisting the General Assembly in determining the prudence of directing deposits, and the amounts of any such deposits, of actuarial surpluses of the Commonwealth Savers Plan from the DB529 Fund into the Opportunity Fund.

The bill requires the board of the Commonwealth Savers Plan to (a) after the fiscal year beginning on July 1, 2025, deposit \$500 million into the Opportunity Fund from the DB529 Fund; (b) each fiscal year thereafter, in accordance with the timeline set forth in the bill, submit to the General Assembly a report on the funded status, as defined by applicable law, of the DB529 Fund and the recommendation of the College Opportunity Investment Advisory Committee as to the prudence of directing deposits of additional actuarial surpluses of the Plan from the DB529 Fund into the Opportunity Fund; and (c) each subsequent year, deposit additional actuarial surpluses into the Opportunity Fund in accordance with the provisions of the bill. Finally, the bill contains provisions (1) relating to voluntary contributions to the Opportunity Fund for the purpose of receiving tax fund contributions and income tax deductions; (2) exempting from mandatory disclosure requirements certain information contained in a public record relating to the Commonwealth Savers Plan or the Virginia College Opportunity Endowment and Fund, and (3) authorizing the College Opportunity Investment Advisory Committee to hold closed meetings for certain purposes.

Budget Amendment Necessary: Yes **Items Impacted:** Item 482 **Explanation:** A budget amendment is needed, but the fiscal impact is indeterminate. The fiscal impact is limited to nongeneral funds.

Fiscal Summary: The Commonwealth Savers Plan (CSP) estimates the cost of additional personnel to provide services to the Virginia College Opportunity Endowment to be around \$1.5 million NGF annually. This cost

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estimate is inclusive of personnel for accounting, investments, information technology, security, and compliance for a new executive branch agency to be supported by CSP employees. Fiscal impact from enforcement and collection of forfeited scholarships would incur a substantial indeterminate impact for CSP.

For similar legislation last session, the Department of Taxation indicated an unknown negative General Fund revenue impact beginning in FY2026. However, the exact amount of the loss is indeterminate 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.

Several public institutions of higher education indicate no fiscal impact.

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	FY2027	<u>FY2028</u>	<u>FY2029</u>	FY2030
Commonwealth Savers Plan	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
TOTAL	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000

Fiscal Analysis:

Commonwealth Savers Plan

The bill directs the establishment of a new agency, the Virginia College Opportunity Endowment, and a board for the agency. The board is to manage a scholarship program supported by the Virginia College Opportunity Fund. The Virginia College Opportunity Fund, created by the bill, is to receive an initial \$500 million deposit from the Commonwealth Savers Plan (CSP) of surplus moneys from the DB529 fund, with subsequent allocations to be determined annually by the College Opportunity Investment Advisory Committee.

CSP estimates the cost of additional personnel to provide services to the Virginia College Opportunity Endowment to be around \$1.5 million NGF annually. This cost estimate is inclusive of personnel for accounting, investments, information technology, security, and compliance for a new executive branch agency to be supported by CSP employees. The fiscal impact from enforcement and collection of forfeited scholarships would incur a substantial indeterminate impact for CSP.

Any fiscal impact from compensating and reimbursing the nonlegislative members of the College Opportunity Investment Advisory Committee is a minimal and absorbable cost to Virginia 529.

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Department of Taxation

Fiscal impact estimates from the Department of Taxation are not currently available. Based on the similar legislation last session, SB501, the Department of Taxation considers any administrative costs from processing donations 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 FY2026.

The exact amount of the loss is indeterminate 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.

Institutions of Higher Education

Public institutions of higher education, such as William and Mary, Old Dominion University, University of Virginia-Wise, and Virginia Commonwealth University indicate no fiscal impact. George Mason University proposes that if the financial aid provided by the Endowment is separate from existing programs, institutions may need to invest in additional staff/resources to support a new financial aid application process.

Other: This bill is similar to SB501/HB1305 (2024 Session).