

Requested Review of Senate Legislation Related to Defined Benefit 529 Surplus Funds

**Workgroup on Virginia529
October 15, 2024**

Senate Legislation in 2024 Session

During the 2024 session SB 501 (Surovell) was reported with a substitute from Education and Health (9-Y; 6-N) and referred to Finance and Appropriations (SFAC). The bill was continued to the 2025 Session. [Note: The Chair of SFAC appointed five members of the Committee to the workgroup to review the bill during the 2024 interim.]

The bill (as reported from Education and Health with a substitute):

- **Creates a separate fund to deposit surplus money.** It directs the Board of the Virginia College Savings Plan (VA529) to deposit \$500.0 million of surplus money into the Virginia College Opportunity Fund (Fund).
 - Requires VA529 to manage assets from the Fund.
- **Establishes an advisory committee to determine the amount to deposit to the Fund.**
 - The College Opportunity Investment Advisory Committee is required to advise the General Assembly on withdrawal amounts to deposit to the Fund. The bill notes a funded status of 105 percent and other provisions to maintain actuarial soundness and meet financial obligations.

Senate Legislation in 2024 Session (continued)

SB 501 Summary (continued):

- **Creates an endowment based on income from investments from the Fund.** Establishes the Virginia College Opportunity Endowment (Endowment) to manage a scholarship program.
 - Establishes a governing board for the Endowment that include a representative from each of 12 public four-year institutions (of the 15 public four-year institutions, this includes all except UVA, William & Mary, and Virginia Tech).
 - Charges the governing board with developing policies and guidelines regarding the program.
 - Scholarships may include full or partial tuition and fees and room and board.
- **Requires the Endowment to provide 90 percent of its annual income for scholarships to students who are low-income (eligible for a Federal Pell Grant) and who attend one of 12 public four-year institutions.**
 - The 12 institutions are those represented on the governing board.
 - Requires students to commit to being employed in Virginia or be enrolled in a postgraduate education for at least eight years after graduation.

Senate Legislation in 2024 Session (continued)

SB 501 Summary (continued):

- **Requires the Endowment Board to provide 10 percent of its annual income to the governing board to support other programs established for the purpose of enhancing educational access and affordability for students with financial need, including supplementary grants and scholarships awarded through the:**
 - Two-year transfer grant program;
 - New Economy Workforce Credential Grant Program (Fast Forward);
 - Tuition Assistance Grant Program (TAG); and
 - Virginia Guaranteed Assistance Grant Program (undergraduate need-based aid).

Senate Legislation Compared to JLARC Options and Recommendations

JLARC Options	SB 501
<p>Direct 60 percent of surplus funds to Legacy529 account holders and 40 percent to support higher education access and affordability programs.</p>	<p>Allocates the surplus funds for higher education access and affordability programs.</p>
<p>Direct the surplus funds designated for higher education access and affordability to be used for:</p> <ul style="list-style-type: none">• Additional grants for low-income students;• Pilot a new state financial aid progression bonus program;• Establish a state emergency financial aid program; or• Provide additional support services to at-risk students.	<p>Provides scholarships for low-income (Pell Grant) students at certain public four-year institutions and designates funds for access and affordability programs that serve low-income students.</p> <ul style="list-style-type: none">• Scholarships may include full or partial tuition, room, and board.

Source: 2022 JLARC Report on Defined Benefit 529 Surplus Funds.

Senate Legislation in 2024 Session

JLARC Recommendations	SB 501
Require surplus funds designated for higher education access and affordability be used to create a dedicated higher education fund.	Creates a separate Fund and Endowment.
Direct SCHEV to allocate dedicated fund assets within statutory guidelines established by the General Assembly.	Requires the 12-member Endowment Board to allocate funds for scholarships within statutory guidelines.
Direct the Virginia Colleges Savings Plan (VA529) to manage the dedicated fund assets but account for the assets separately.	Permits the Board of VA529 to manage the fund assets, but requires an advisory committee to determine the amount of surplus funds to withdraw while maintaining the funded status.

Source: 2022 JLARC Report on Defined Benefit 529 Surplus Funds.