

Department of Planning and Budget

2001 Fiscal Impact Statement

1. Bill Number HB1769

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

2. Patron Cox

3. Committee Courts of Justice

4. Title Government bonds; Uniform Commercial Code

5. Summary/Purpose: Legislation enacted in the 2000 Session of the General Assembly changed Virginia's Uniform Commercial Code (UCC) by bringing previously exempt municipal transactions within the purview of Article 9 of the UCC. Title 8.9A deals with secured transactions in personal property. Absent an exclusion, Title 8.9A covers security interests in revenues and other personal property assets granted by states and local governments to secure bond issues. Title 8.9 used to provide an exclusion from Article 9's scope for security interests granted by states and local governments. This is known as the "governmental transfer" exclusion.

Effective July 1, 2001, Title 8.9A substantially reduced the exclusion and causes certain concerns for municipal bond transactions. One of which is that if municipal bond transactions are within the purview of the revised Title 8.9A, it may be difficult to be certain that holders of "first lien" revenue bonds actually have a first lien. Title 8.9A would also require financing statements to be filed for all outstanding municipal bonds within one year after the effective date in order to retain an enforceable first priority security interest. The logistics of this effort could be very complex and costly to both state agencies and local governments and local issuing authorities such as industrial development authorities.

This bill reinstates the governmental transfer exclusion to exempt municipal bonds from the filing and administrative requirements of Title 8.9A, but does not preclude liens on personal property.

6. No Fiscal Impact.

7. Budget amendment necessary: No.

8. Fiscal implications: None.

9. Specific agency or political subdivisions affected: State agencies, local governments and local authorities that issue bonds.

10. Technical amendment necessary: No.

11. Other comments: SB 911 is a companion bill introduced by Senator Norment.

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cc: Secretary of Finance

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