

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB2478

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Crittenden

3. Committee Appropriations

4. Title Virginia Public School Authority; School Construction Grant Act of 2003

5. Summary/Purpose: This bill authorizes the Virginia Public School Authority (VPSA) to issue bonds to fund grants to local school divisions in the total amount of \$1 billion to pay the costs of school construction, school renovation, and other school infrastructure projects (to be issued no later than January 1, 2010). The schedule for the issuance of the bonds and the payment of the debt service on them shall be as provided in the general appropriation act. One-half of the grants (\$500 million) shall be distributed to each school division in an equal amount of \$3,676,471. The remaining one-half shall be distributed to each local school division on a set per pupil amount based on each school division's actual September 30, 2002, fall membership data as a proportion of the actual September 30, 2002, fall membership data for all school divisions. In implementing this bill, the Virginia Public School Authority shall not incur more than a total of \$250 million in debt in any fiscal year.

Such grants shall not be used to calculate or reduce the share of federal, state, or local revenues or funds otherwise available to local governments, school boards, or school divisions, nor shall they be used to calculate or reduce any allocation of revenues or funds including, but not limited to, state basic aid payments.

The Board of Education shall determine the priority for the payments of the grants to each local school division. Written certification must be provided to the chairman of the VPSA directing him to make grant payment in a specific amount to a school division. The VPSA shall make the grant payment within 30 days of receipt.

In addition, the Board of Education shall issue guidelines for the priority of the grant payments. Guidelines shall provide that grants be paid based upon: (1) the need for the public school project in comparison to the need for public school projects in other school divisions; (2) the readiness of the project for construction, building, or completion; and (3) the VPSA having sufficient funds on hand to make such grant payments. The guidelines shall also include: (1) provisions which address approval by the local governing body of the construction, addition, or site acquisition for which grant money is sought by a local school division; (2) the applications for a grant by a local school division pursuant to this act; and (3) the implementation of the procedure for disbursing grants to local school divisions.

Finally, beginning in 2004, the Board of Education shall make an annual report to the General Assembly on June 1 of each year.

6. Significant Fiscal Impact (See Comments 8.)

7. Budget amendment necessary: Yes. (See Comments 8.)

8. Fiscal implications: The proposed legislation does not designate a fund source for the debt service. Therefore, it is assumed that the general fund would be used to fund this program. The estimated annual cost of debt service (assuming \$250 million per year at 5.1 percent over 20 years) is \$20.6 million per issuance. A new general fund appropriation for debt service may be needed during the 2002 - 2004 biennium depending on when the debt is issued. Also, these bonds would represent tax supported debt of the Commonwealth, which would have a negative impact on debt capacity. An amendment is needed for an new Item 293.1 to establish the issuance schedule, identify the funding source and appropriate amounts for debt service.

In order to implement the provisions of this bill, the Department of Education would need one additional position, beginning in FY 2004. The salary and benefit cost of this position is estimated at \$70,000. (Amendment to Item 137.)

The Department of Treasury would need two additional positions to establish and operate this program, beginning in FY 2004. One position would be needed in the Debt Division and one in the department's Trust Accounting Division. The salary, benefits, and startup costs for the Treasury positions are estimated at \$127,000. (Amendment to Item 290.)

9. Specific agency or political subdivisions affected: local school divisions, Department of Treasury, Virginia Public School Authority, Department of Education, Board of Education

10. Technical amendment necessary: No.

11. Other comments: SB 885 and HB 1758 are similar bills.

Date: 01/20/03/acd

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cc: Secretary of Education
Secretary of Finance