

Department of Planning and Budget 2004 Fiscal Impact Statement (Revised)

1. Bill Number SB20

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Puller

3. Committee Education and Health

4. Title School Construction Grant Act of 2004; created.

- 5. Summary/Purpose:** The Virginia Public School Authority (VPSA) shall provide a total of \$1 billion in grants to local school divisions to be used for school construction, school additions, or school infrastructure. The funds could also be used for site acquisition or school renovations, including the cost of retrofitting or enlarging public school buildings. Such grants shall not be used to pay debt service of local governments, school boards, or school divisions. Funds for the payment of such grants shall be provided from the issuance of bonds by the Authority, with all bonds as required to raise such \$1 billion being issued no later than January 1, 2011. The schedule for the issuance of such bonds and the payment of debt service on such bonds shall be as provided in the Appropriation Act.

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 VPSA shall provide a total of \$500 million in grants to be distributed equally among local school divisions, with each school division to receive \$3,676,471 in grants. The VPSA shall provide an additional \$500 million in grants to be distributed to local school divisions on a set per pupil amount, based on each school division's actual September 30, 2002, fall membership data, as a proportion of total actual September 30, 2002, fall membership data for all school divisions.

The Department of Education (DOE) shall determine the priority for the payment of the grants and shall provide a written certification to the chairman of the VPSA directing that a grant payment be made to a school division. The department shall annually obtain from each school division the amount of its total allocation that the school division wishes to claim in each fiscal year. The school division must certify that: (1) the local school board has identified a specific project; (2) the local school board and governing body have approved the project; (3) the project(s) have been approved pursuant to the *Code*; and (4) the project(s) are ready to bid.

Should the total amount of the request from school divisions exceed the annual funding limit, then DOE shall determine the priority for payment of the grants based on the order in which the request and required certifications have been received. If the available funds are

insufficient to fully fund a project, DOE is authorized to negotiate a lesser amount of funding. Should a school division not wish to accept a lesser amount of funding, then DOE is authorized to offer the available funding to the next project on the prioritized list.

Beginning in 2005, the Department of Education shall make an annual report to the General Assembly on June 1 of each year.

The VPSA shall not incur more than a total of \$250 million in debt or other payment obligations in any fiscal year.

6. Fiscal Impact: See Item 8.

7. Budget amendment necessary: No. Implementation of this bill is contingent upon the inclusion of a debt service appropriation in the Appropriation Act.

8. Fiscal implications: Assuming that the provisions of this bill become effective July 1, 2004, then an appropriation may be needed in both FY 2005 and FY 2006 but is dependent upon the timing of the debt issuance. In order to implement the provisions of this bill, the Department of Education would need one additional FTE, position beginning in FY 2005 to oversee the program. The annual salary and benefit costs of this position are estimated at \$80,000. (Amendment to Item 136 of HB30.)

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, for an aggregate of \$82.4 million per year once all of the bonds are issued. A new general fund appropriation for debt service represents tax supported debt of the Commonwealth, which would have a negative impact on debt capacity. An amendment is needed for a new Item in introduced HB30 to establish the issuance schedule, identify the funding source and appropriate amounts for debt service.

This bill would also have an impact on the Department of Treasury. The department would need two additional FTE positions to establish and operate this program, beginning in FY 2005. One FTE position would be needed in the Debt Division and one in the Trust Accounting Division. The annual salary and benefit costs of these two positions are estimated at \$106,250 (an amendment to Item 290 of HB30).

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

10. Technical amendment necessary: None.

11. Other comments: This fiscal impact statement has been revised to reflect an error in the original statement that had referenced some technical issues with language. No such issues exist.

Date: 02/09/04 / acd

Document: H\ bos\k12 legislation\2004 session\completed bills\SB20.doc.

cc: Secretary of Education
Secretary of Finance