

VIRGINIA ACTS OF ASSEMBLY -- 2006 SESSION

CHAPTER 223

An Act to amend and reenact § 22.1-167.1 of the Code of Virginia, relating to the pass-through of bond refunding savings by the Virginia Public School Authority.

[S 203]

Approved March 24, 2006

Be it enacted by the General Assembly of Virginia:

1. That § 22.1-167.1 of the Code of Virginia is amended and reenacted as follows:

§ 22.1-167.1. Refunding issues; pass-through of savings realized.

A. In the event the Authority refunds any bonds previously issued to finance the purchase of local school bonds, the Authority shall pass-through to the issuers of such local school bonds, an allocable share of any savings realized. Such pass-through shall be accomplished, at the option of the Authority, by means of a debt service reduction over the remaining term of the local school bonds, by a lump sum payment of the present value of such allocable share of the savings, or by such other method as the Authority shall determine to be in the mutual best interests of the issuers of the local school bonds and the Authority.

B. For the purposes of this section, "savings" means the net reduction in debt service, if any, to be realized by the Authority, after subtracting the total costs, expenses, and equity contributions associated with the refunding and with the pass-through of such savings to the issuers of the local school bonds and of any Authority funds transferred, or required to be transferred, by mandate of the General Assembly, other than to the issuers of the local school bonds.

Notwithstanding the provisions of this section, no savings shall be passed-through to the issuers of local school bonds for which an interest rate subsidy has been paid or which were issued at below market interest rates. The savings in connection with the refunding of bonds issued by the Authority and allocable to local school bonds for which an interest rate subsidy has been paid, to the extent such subsidy was paid from the Literary Fund, shall be transferred to the Literary Fund and used exclusively for Literary Fund loans to local school boards pursuant to Chapter 10 (§ 22.1-142 et seq.) of Title 22.1.

C. This section shall have no application if it conflicts with a preexisting trust indenture.

D. *Whenever the Authority shall defease its bonds previously issued to finance the purchase of local school bonds, the Authority may, consistent with the provisions of this section respecting the return of savings to the issuers of the related local school bonds, designate to such issuers of local school bonds which issues, series and maturities with which interest rates shall be deemed by the Authority to have been paid. Immediately upon such designation, the local school bonds so designated shall likewise be deemed defeased and no longer outstanding, the same as if the defeasance had occurred in accordance with the provisions of § 15.2-2623. Such defeasance shall not require any action by the issuer of the affected local school bonds, shall be effective immediately, and shall be duly noted on the records of the Authority which shall no longer have any right to payment with respect to the issues, series and maturities so deemed by the Authority to have been paid. The elected officials and financial officers of the affected locality are hereby authorized to execute and deliver such federal tax forms, certificates, and other documents as the Authority may request in connection with the defeasance of its local school bonds and the bonds of the Authority.*