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**HOUSE BILL NO. 923****AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the House Committee on Appropriations  
on February 6, 2008)

(Patrons Prior to Substitute—Delegates Rust and Crockett-Stark [HB 566] )

A *BILL to amend the Code of Virginia by adding in Title 15.2 a chapter numbered 27.1, consisting of sections numbered 15.2-2710 through 15.2-2722, relating to the creation of the Virginia School Construction Revolving Fund for financing of elementary, secondary, or vocational education school projects.*

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Title 15.2 a chapter numbered 27.1, consisting of sections numbered 15.2-2710 through 15.2-2722 as follows:**

**CHAPTER 27.1.****VIRGINIA SCHOOL CONSTRUCTION REVOLVING FUND.**

§ 15.2-2710. *Legislative findings and purposes.*

*The General Assembly finds that there exists in the Commonwealth a critical need for additional sources of funding to finance the present and future needs of the Commonwealth for elementary, secondary, or vocational education school acquisition, expansion, construction, equipment, renovation, rehabilitation and related supporting infrastructure and equipment facilities. This need can be alleviated in part through the creation of a school construction revolving fund. Its purpose is to encourage the investment of both public and private funds and to make loans, grants, and credit enhancements available to local governments to finance elementary, secondary, or vocational education school projects. The General Assembly determines that the creation of a revolving fund for this purpose is in the public interest, serves a public purpose and will promote the health, safety, welfare, convenience or prosperity of the people of the Commonwealth.*

§ 15.2-2711. *Definitions.*

"Act" means the Industrial Development and Revenue Bond Act in Chapter 49 (§ 15.2-4900 et seq.) of Title 15.2.

"Advisory Board" means the Virginia School Construction Revolving Fund Advisory Board created by this chapter.

"Authority" means the Industrial Development Authority of the County of Stafford and the City of Staunton created by such local governments pursuant to the Act.

"Board" means the Board of Directors of the Authority.

"Bonds" means any bonds, notes, debentures, interim certificates, bond, grant or revenue anticipation notes, lease and sale-leaseback transactions or any other evidences of indebtedness of the Authority.

"Cost" as applied to any project financed under the provisions of this chapter, means the reasonable and necessary costs incurred for carrying out all works and undertakings necessary or incidental to the accomplishment of any project. It includes, without limitation, all necessary developmental, planning and feasibility studies, surveys, plans and specifications; architectural, engineering, financial, legal or other special services; site preparation and development, including the demolition or removal of existing structures; the costs of acquisition of land and any buildings and improvements thereon, including the discharge of any obligation of the seller of such land, buildings or improvements; labor; materials, machinery and equipment; the funding of accounts and reserves that the Authority may require; the reasonable costs of financing incurred by the local government in the course of the development of the project, including the cost of any credit enhancements; carrying charges incurred prior to completion of the project; interest on local obligations issued to finance the project to a date subsequent to the estimated date the project is to be placed in service; necessary expenses incurred in connection with placing the project in service; and the cost of other items that the Authority determines to be reasonable and necessary.

"Credit enhancements" means surety bonds, insurance policies, letters of credit, guarantees and other forms of collateral or security.

"Fund" means the Virginia School Construction Revolving Fund created by this chapter.

"Local government" means any county, city, town, municipal corporation, authority, district, commission, or political subdivision of the Commonwealth created by the General Assembly or otherwise created pursuant to the laws of the Commonwealth or any combination of the foregoing.

"Local obligations" means any bonds, notes, debentures, interim certificates, bond, grant or revenue anticipation notes, leases or any other evidences of indebtedness of a local government.

"Project" means all or any part of a facility related to, in support of, used, determined, or to be used or determined to be for, or for the benefit of elementary, secondary, or vocational education located or

60 to be located in the Commonwealth and may consist of or include any or all facilities related to the  
61 needs or convenience of such interests, together with any or all buildings or other structures,  
62 improvements, additions, extensions, replacements, machinery or equipment, and any or all  
63 appurtenances, lands, rights in land, rights-of-way, franchises, furnishings, landscaping, utilities,  
64 approaches, roadways, or other facilities necessary or desirable in connection therewith or incidental  
65 thereto, all or part of which facility serves or is to serve any local government.

66 § 15.2-2712. Virginia School Construction Revolving Fund Advisory Board; purpose; membership;  
67 terms; compensation.

68 A. The Virginia School Construction Revolving Fund Advisory Board shall be comprised of an  
69 advisory committee to the Authority, to be established by the Authority pursuant to § 15.2-4905, whose  
70 members shall be selected from a list recommended by the Virginia Municipal League and the Virginia  
71 Association of Counties and two members of which are to be selected as follows: one member shall be  
72 appointed by the Speaker of the House of Delegates from the membership of the House of Delegates and  
73 one member shall be appointed by the Senate Committee on Privileges and Elections from the  
74 membership of the Senate. The purpose of the Advisory Board shall be to assist and advise the Authority  
75 in the management of the Fund and the determination and distribution of loans and grants from the  
76 Fund.

77 B. The members of the Advisory Board shall elect a chairman and vice-chairman annually. A  
78 majority of the members of the Advisory Board shall constitute a quorum. The bylaws governing the  
79 Advisory Board shall be adopted on or before December 31, 2008.

80 § 15.2-2713. Creation and management of Virginia School Construction Revolving Fund.

81 A. There is hereby created and set apart a permanent, perpetual and nonreverting fund to be known  
82 as the Virginia School Construction Revolving Fund for the purposes of elementary, secondary, or  
83 vocational education school acquisition, expansion, construction, equipment, renovation, rehabilitation  
84 and related supporting infrastructure and equipment facilities. The Fund shall consist of sums  
85 appropriated to the Fund by the General Assembly; all receipts by the Fund, including, but not limited  
86 to, from loans made by it; all income from the investment of moneys held in the Fund; and any other  
87 sums designated for deposit to the Fund from any source, public or private, including, but not limited  
88 to, any federal grants, awards or other forms of financial assistance received, designated or  
89 appropriated by the Commonwealth. The Fund shall be established on the books of the Authority.

90 B. The Authority shall administer and manage the Fund. Consistent with this chapter, the Advisory  
91 Board shall develop a guidance document governing project eligibility and project priority criteria,  
92 direct the distribution of loans and grants from the Fund to particular local governments and establish  
93 the interest rates and repayment terms of such loans as provided in this chapter. The Authority may  
94 disburse from the Fund its reasonable costs and expenses incurred in the administration and  
95 management of the Fund and may establish and collect a reasonable fee for its management services,  
96 provided that any annual fee shall not exceed .08 percent on the outstanding balance of any loan.

97 § 15.2-2714. Deposit of money; expenditures; investments.

98 All money belonging to the Fund shall be deposited in an account or accounts in banks or trust  
99 companies organized under the laws of the Commonwealth or in national banking associations located  
100 in Virginia or in savings institutions located in Virginia organized under the laws of the Commonwealth  
101 or the United States. The money in these accounts shall be paid by check and signed by such officers or  
102 employees designated by the Board of Directors of the Authority. All deposits of money shall, if required  
103 by the Authority, be secured in a manner determined by the Authority to be prudent, and all banks, trust  
104 companies and savings institutions are authorized to give security for the deposits. Money in the Fund  
105 shall not be commingled with other money of the Authority. Money in the Fund not needed for  
106 immediate use or disbursement may be invested or reinvested by the Authority in obligations or  
107 securities that are considered lawful investments for public funds under the laws of the Commonwealth.

108 § 15.2-2715. Collection of money due Fund.

109 The Authority is empowered to collect, or to authorize others to collect on its behalf, amounts due to  
110 the Fund under any loan to obtain payment of any amounts in default or unpaid. Proceedings to recover  
111 amounts due to the Fund may be instituted by the Authority in the name of the Fund in the appropriate  
112 circuit court.

113 § 15.2-2716. Grants to local governments.

114 Subject to any restrictions that may apply to the use of money in the Fund, the Advisory Board in its  
115 discretion may approve the use of money in the Fund to make and disburse grants or appropriations to  
116 local governments to pay the cost of any project. The Advisory Board may establish such terms and  
117 conditions on any grant as it deems appropriate and shall evaluate each grant request in accordance  
118 with the guidelines developed for this purpose.

119 § 15.2-2717. Loans to local governments.

120 Subject to the Advisory Board's direction, the Authority may make loans from the Fund to local  
121 governments to finance or refinance the cost of any project. The local governments to which loans are

to be made, the purposes of each such loan, and the amount of each such loan, shall be designated in writing to the Authority by the Advisory Board. No loan from the Fund shall exceed the total cost of the project to be financed or the outstanding principal amount of the indebtedness to be refinanced plus reasonable financing expenses.

The Advisory Board shall determine the interest rate and terms and conditions of any loan from the Fund, which may vary between local governments. Each loan shall be evidenced by appropriate bonds or notes of the local government payable to the Fund. The bonds or notes shall have been duly authorized by the local government and executed by its authorized legal representatives. The Authority is authorized to require in connection with any loan from the Fund such documents, instruments, certificates, legal opinions and other information as it may deem necessary or convenient. In addition to any other terms or conditions that the Authority may establish, the Authority may require, as a condition to making any loan from the Fund, that the local government receiving the loan covenant to perform any of the following:

1. Establish and collect rents, rates, fees, and charges to produce revenue sufficient to pay all or a specified portion of (i) the costs of operation, maintenance, replacement, renewal, and repairs of the project; (ii) any outstanding indebtedness incurred for the purposes of the project, including the principal of, premium, if any, and interest on the loan from the Fund to the local government; and (iii) any amounts necessary to create and maintain any required reserve.

2. Levy and collect ad valorem taxes on all property within the jurisdiction of the local government subject to local taxation sufficient to pay the principal of and premium, if any, and interest on the loan from the Fund to the local government.

3. Create and maintain a special fund or funds for the payment of the principal of, premium, if any, and interest on the loan from the Fund to the local government and any other amounts becoming due under any agreement entered into in connection with the loan, or for the operation, maintenance, repair, or replacement of the project or any portions thereof or other property of the local government, and deposit into any fund or funds amounts sufficient to make any payments on the loan as they become due and payable.

4. Create and maintain other special funds as required by the Authority.

5. Perform other acts otherwise permitted by applicable law to secure payment of the principal of, premium, if any, and interest on the loan from the Fund to the local government and to provide for the remedies of the Fund in the event of any default by the local government in the payment of the loan, including, without limitation, any of the following:

- a. The conveyance of, or the granting of liens on or security interests in, real and personal property, together with all rights, title and interest therein;

- b. The procurement of insurance, guarantees, letters of credit and other forms of collateral, security, liquidity arrangements or credit supports for the loan from any source, public or private, and the payment therefor of premiums, fees, or other charges;

- c. The combination of one or more projects, or the combination of one or more projects with one or more other undertakings or facilities for the purpose of operations and financing, and the pledging of the revenues from such combined projects, undertakings or facilities to secure the loan from the Fund to the local government made in connection with such combination or any part or parts thereof;

- d. The maintenance, replacement, renewal, and repair of the project; and

- e. The procurement of casualty and liability insurance.

6. Obtain a review of the accounting and the internal controls from any auditor of the local government. The Authority may request additional reviews at any time during the term of the loan. In addition, anyone receiving a report in accordance with § 15.2-2721 may request an additional review as set forth in this section.

All local governments borrowing money from the Fund are authorized to perform any acts, take any action, adopt any proceedings and make and carry out any contracts that are contemplated by this chapter. Such contracts need not be identical among all local governments, but may be structured as determined by the Authority according to the needs of the contracting local governments and the Fund.

Subject to the rights, if any, of the registered owners of any of the bonds of the Authority, the Authority may consent to and approve any modification in the terms of any loan to any local government.

§ 15.2-2718. Pledge of loans to secure bonds of Authority.

The Authority is empowered at any time and from time to time to pledge, assign or transfer from the Fund to banks or trust companies designated by the Authority any or all of the assets of the Fund to be held in trust as security for the payment of the principal of, premium, if any, and interest on any or all of the bonds, as defined in § 15.2-2711, issued to finance any project. The interests of the Fund in any assets so transferred shall be subordinate to the rights of the trustee under the pledge, assignment or transfer. To the extent funds are not available from other sources pledged for such purpose, any of the

183 *assets or payments of principal and interest received on the assets pledged, assigned or transferred or*  
184 *held in trust may be applied by the trustee thereof to the payment of the principal of, premium, if any,*  
185 *and interest on such bonds of the Authority secured thereby, and, if such payments are insufficient for*  
186 *such purpose, the trustee is empowered to sell any or all of such assets and apply the net proceeds from*  
187 *the sale to the payment of the principal of, premium, if any, and interest on such bonds of the Authority.*  
188 *Any assets of the Fund pledged, assigned or transferred in trust as set forth above and any payments of*  
189 *principal, interest or earnings received thereon shall remain part of the Fund but shall be subject to the*  
190 *pledge, assignment or transfer to secure the bonds of the Authority and shall be held by the trustee to*  
191 *which they are pledged, assigned or transferred until no longer required for such purpose by the terms*  
192 *of the pledge, assignment or transfer.*

193 *§ 15.2-2719. Sale of loans.*

194 *The Authority is empowered at any time and from time to time to sell, upon such terms and*  
195 *conditions as the Authority shall deem appropriate, any loan, or interest therein, made pursuant to this*  
196 *chapter. The net proceeds of sale remaining after the payment of the costs and expenses of the sale*  
197 *shall be designated for deposit to, and become part of, the Fund.*

198 *§ 15.2-2720. Powers of the Authority.*

199 *In addition to the powers granted in the Act, the Authority is granted all powers necessary or*  
200 *appropriate to carry out and to effectuate its purposes, including the following:*

201 *1. To procure insurance, in amounts and from insurers of its choice, or provide self-insurance,*  
202 *against any loss, cost, or expense in connection with its property, assets or activities, including*  
203 *insurance or self-insurance against liability for its acts or the acts of its directors, employees or agents*  
204 *and for the indemnification of the members of its Board of Directors and its employees and agents;*

205 *2. To procure credit enhancements from any public or private entities, including any department,*  
206 *agency or instrumentality of the United States of America or the Commonwealth, for the payment of any*  
207 *bonds issued by the Authority, including the power to pay premiums or fees on any such credit*  
208 *enhancements;*

209 *3. To enter into contracts or agreements for the servicing and processing of local obligations owned*  
210 *by the Authority;*

211 *4. To invest or reinvest its funds as provided in this chapter or permitted by applicable law;*

212 *5. To do any act necessary or convenient to the exercise of the powers granted or reasonably*  
213 *implied by this chapter; and*

214 *6. To pledge as security for the payment of any or all bonds of the Authority, all or any part of a*  
215 *reserve fund or account transferred to a trustee for such purpose from the Virginia School Construction*  
216 *Revolving Fund pursuant to § 15.2-2718.*

217 *§ 15.2-2721. Report to the General Assembly and Governor.*

218 *The Authority shall report annually to the General Assembly and the Governor on all grants and*  
219 *loans made from the Fund.*

220 *§ 15.2-2722. Liberal construction of chapter.*

221 *The provisions of this chapter shall be liberally construed to the end that its beneficial purposes may*  
222 *be effectuated. Insofar as the provisions of this chapter are inconsistent with the provisions of any other*  
223 *law, general, special or local, the provisions of this chapter shall be controlling.*