

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1352

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

2. Patron: Norment

3. Committee: Finance

4. Title: Private capital lending for local governments

5. Summary: Allows local governments to enter into certain conduit lending agreements to finance certain capital projects. The substitute legislation, which eliminates higher education from the provisions, would allow a local government to enter into a financing arrangement to:

- convey title to any property that is part of a project as defined in this chapter to a conduit or other entity in exchange for consideration provided for under the financing agreement
- assign, pledge to, and create a lien in favor of a conduit (defined as a 501(c)(3) of the Internal Revenue Code that qualifies as a public charity under § 509(a)(2) of 509(a)(3) of the Internal Revenue Code) or other entity, and permit the conduit or other entity to reassign, pledge to, and create a lien in favor of a private capital funding source, any revenues derived from the project being financed as provided under the financing agreement
- enter into a lease-leaseback arrangement for a term not to exceed 99 years, under which the private capital funding source will lease from the conduit or entity, and the conduit or entity shall lease back from the private capital funding source, the conveyed project. In addition, the conduit or other entity has the power to contribute to the local government any funds received by it in excess of the payments it is required to make to the private capital funding source under the lease-leaseback arrangement and has the power to convey the conveyed property back to the local government when the property is no longer encumbered by any lien or lease in favor of the funding source.
- enter into a competitive selection process or by direct negotiations with a private capital funding source, as determined by the local government or as otherwise provided by law.

6. Budget Amendment Necessary: No.

7. No Fiscal Impact. The substitute bill eliminates institutions of higher education from the legislation. The fiscal impact of this bill is solely on local governments.

8. Fiscal Implications: Any fiscal impact would be the responsibility of the local government, not the Commonwealth of Virginia.

9. Specific Agency or Political Subdivisions Affected:

Local governments
Private capital financing entity

10. Technical Amendment Necessary: Yes. In § 15.2-1816 (lines 46-66) and § 23-30.60 (lines 112-113), the term “conduit or other entity” is used repeatedly. The term “conduit entity” is a defined term in the bill and should be used instead.

11. Other Comments: None.

Date: 1/27/20/2011

Document: g:/aps/legislation/2011session/SB1352S1.doc