

Department of Planning and Budget

2018 Fiscal Impact Statement

1. Bill Number: HB1431

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: Bell, Richard P.

3. Committee: Education

4. Title: Public School Capital Grant Program established

5. Summary: Requires the Virginia Public Building Authority to establish and administer the Public School Capital Grant Program (the Program) for the purpose of providing grants on a competitive basis to any local school board that governs a local school division in a locality that is determined to have high fiscal stress by the Virginia Commission on Local Government in its most recent "Report on the Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia Counties and Cities" for such school board to use for school building capital renovation or construction projects. The bill caps each Program grant at \$10 million and requires local matching funds for each such grant.

6. Budget Amendment Necessary: Indeterminate – see Item 8.

7. Fiscal Impact Estimates: Indeterminate – see Item 8.

8. Fiscal Implications: Section 2.2-2261, Code of Virginia, which establishes the Virginia Public Building Authority (VPBA), does not authorize VPBA to issue revenue bonds as grant awards to local school boards, as required in the proposed legislation. However, the Virginia Public School Authority (VPSA) does have the authority to issue bonds to provide loans and grants to local school boards pursuant to §§ 22.1-166.1 and 22.1-166.2, Code of Virginia. According to the Department of the Treasury (TRS), the General Assembly would have to provide VPSA with debt service appropriation in the Appropriation Act, pursuant to the passage of the proposed legislation, because VPSA does not have debt service appropriation.

According to TRS, VPBA and VPSA are both AA+/Aa1/AA+ rated Authorities of the Commonwealth. If the Public School Capital Grant Program is funded with tax-exempt bonds of either VPBA or VPSA, there would be an impact to debt service. For example, if 10 localities are each awarded \$5.0 million, for a total of \$50.0 million, and either VPBA or VPSA issues 20-year revenue bonds, the annual debt service cost would be approximately \$3.8 million.

TRS also administers both VPBA and VPSA. According to TRS, the agency may incur annual costs estimated at \$75,000 to hire staff to administer the Public School Capital Grant Program.

- 9. Specific Agency or Political Subdivisions Affected:** Department of the Treasury, Commission on Local Government, Department of Education, and local school boards.
- 10. Technical Amendment Necessary:** The proposed legislation authorizes the establishment and administration of the Public School Capital Grant Program under the authority of the Virginia Public Building Authority (VPBA). However, Section 2.2-2261, Code of Virginia, which establishes the Virginia Public Building Authority (VPBA), does not authorize VPBA to issue revenue bonds as grant awards to local school boards. The Virginia Public School Authority (VPSA), which does have the authority to issue loans and grants to local school boards pursuant to §§ 22.1-166.1 and 22.1-166.2, Code of Virginia, may be more appropriate to administer the Public School Capital Grant Program.
- 11. Other Comments:** None.