

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB661

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Whipple

3. Committee: Finance

4. Title: Virginia Housing Trust Fund.

5. Summary/Purpose: The bill provides for a portion of the annual revenue collections from taxes and fees imposed pursuant to the Virginia Recordation Tax Act (§ 58.1-800 et seq.) to be transferred to the Virginia Housing Trust Fund (formerly the Virginia Housing Partnership Trust Fund). The bill also provides that a portion of the fund shall be used to provide matching funds to localities that have both established a local housing fund and appropriated local moneys to the fund. Under the bill, the Department of Housing and Community Development is required to establish criteria for the allocation of the matching funds to eligible localities and to annually report on the allocation of matching funds. In addition, the bill authorizes grants to be made from the Fund to support innovative housing projects and low and moderate income housing projects that are located in areas experiencing extreme shortages of such housing.

6. Fiscal Impact Estimates are: Preliminary. See item 8, below.

7. Budget amendment necessary: Yes. Item 109.

8. Fiscal implications: As the bill is currently drafted, the amount of funding from revenue collected from the state recordation that is to be deposited to the Virginia Housing Trust Fund is unclear. A technical amendment is included in item 10 below to clarify that the amount to be transferred is equal to a tax of \$0.02 of every \$100, or fraction thereof, and assumed in the fiscal analysis of this bill.

An amount equal to a tax of \$0.02 of every \$100, or fraction thereof, collected pursuant to the recordation tax would be deposited to the Fund. Any monies deposited to the Fund would need to be appropriated to DHCD. The monies would be transferred to the Virginia Housing and Development Authority (VHDA) for various loans and grants. VHDA administers the Fund.

Revenue collected from the state recordation tax is deposited to the general fund. The bill would provide for the deposit of a portion of these monies to the Fund, and as such it would affect the total general fund resources available for other uses. The table below illustrates the estimated amount of recordation tax revenues that would be deposited to the Fund, and the corresponding loss to the general fund, in future years:

Fiscal Year of Distribution	Estimated Deposit to the Housing Trust Fund (in Millions)	Estimated general fund loss (in Millions)
2009	\$35.9	(\$35.9)
2010	\$39.2	(\$39.2)
2011	\$38.7	(\$38.7)
2012	\$38.6	(\$38.6)
2013	\$38.7	(\$38.7)
2014	\$39.2	(\$39.2)

The bill would have an expenditure impact for DHCD. This would include costs associated with the development of revised grant eligibility requirements, as mandated by the proposed legislation, as well as ongoing administrative costs associated with processing applications and ongoing assurances. DHCD estimates that it will require two FTEs and \$165,000 annually. These costs would be paid from the Fund.

- 9. Specific agency or political subdivisions affected:** Department of Housing and Community Development, Virginia Housing Development Authority, and the Department of Taxation.
- 10. Technical amendment necessary:** Yes. Page 9, line 498, after “revenues” strike “collected from a \$0.02 tax” and insert “from an amount equal to a tax of \$0.02 of every \$100, or fraction thereof,”. Sections 36-139 (effective July 1, 2008) and 58.1-344.3, Code of the Virginia, of the bill text do not include changes enacted by the 2007 General Assembly.
- 11. Other comments:** HB 617 and HB 1082 would also earmark a portion of recordation tax revenues for the Virginia Housing Trust Fund, but require that the revenues from the recordation tax exceed \$200 million before requiring a transfer or deposit to the Virginia Housing Trust Fund. Both bills are currently in House Appropriations.

Date: 1/16/2008 dpbtmw

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cc: Secretary of Commerce and Trade
Secretary of Finance