Department of Planning and Budget
2009 Fiscal Impact Statement

1. **Bill Number:** SB1430

   House of Origin _X_ Introduced ___ Substitute ___ Engrossed

   Second House ___ In Committee ___ Substitute ___ Enrolled

2. **Patron:** Stosch

3. **Committee:** Commerce and Labor

4. **Title:** **Grants to purchasers of newly constructed residential homes.**

5. **Summary:** Authorizes the issuance of $50 million in bonds to fund grants to individuals who purchase a principal residence in the Commonwealth that was first issued a certificate of occupancy on or after January 1, 2007, but before July 1, 2009. Eligible individuals would be individuals who had no present ownership in a principal residence within the last three years. The Virginia Housing Development Authority (VHDA), in consultation with the Virginia Economic Development Partnership (VEDP), would develop guidelines for purposes of determining eligible homebuyers and the amount of grant awards.

6. **Fiscal Impact Estimates are preliminary.** See item 8, below.

7. **Budget Amendment Necessary:** Yes. See item 8, below.

8. **Fiscal Implications:** The proposed legislation authorizes the issuance of up to $50 million in bonds to fund grants to individuals who purchase a principal residence in the Commonwealth that was first issued a certificate of occupancy between January 1, 2007, and July 1, 2009. Once bonds are issued, the proposed legislation will have an expenditure impact, as funding will need to be appropriated to the Treasury Board for debt service payments.

   The bill provides for the issuance of bonds by the Treasury Board. The Treasury Board does not issue appropriation-supported debt. Such bonds could be issued by the Virginia Public Building Authority.

   If bonds are issued through the Virginia Public Building Authority (VPBA), based on current interest rate assumptions, debt service on $50 million of taxable bonds financed over a 20-year period would be approximately $5.4 million annually. Generally, debt service must be appropriated in the budget for the fiscal year following the calendar year in which the bonds are sold. VPBA bonds are typically sold in the spring and debt service is included in the budget for the following fiscal year. The bill directs the sale of all bonds no later than January 1, 2011.

   The bill states that the debt service on these bonds will be paid from a general fund appropriation. As such, the bonds would be tax-supported debt and impact the Commonwealth's debt capacity. Furthermore, because the bonds would be used to support financing for individuals rather than a broad public purpose, the bonds would be have to be issued on a taxable basis. Interest on the bonds paid by the Commonwealth to the bondholders would be exempt from taxation at the state level. However, the interest would be taxable at the federal level.

The Virginia Housing Development Authority (VHDA) is tasked with administering this program. The bill directs VHDA to develop guidelines for the program, in conjunction with the Virginia Economic Development Authority. VHDA is not a state agency and therefore does not have an appropriation in the Appropriation Act. However, there is no provision in the bill for funding any costs VHDA may incur in administering the program.

9. **Specific Agency or Political Subdivisions Affected:** Virginia Housing Development Authority, Treasury Board, Virginia Economic Development Partnership.

10. **Technical Amendment Necessary:** Yes. Lines 30, 51, 75, 81, 82, 91, 95, 96, 100, 109, and 116, strike "Treasury Board" and insert "Virginia Public Building Authority".

11. **Other Comments:** None.

Date: 2/2/2009 tmw
Document: G:\2009 Session\Legislation\Fiscal Impact Statements\SB1430.doc

cc: Secretary of Commerce and Trade
Secretary of Finance