

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB1317

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Marshall, R.G.

3. Committee: General Laws

4. Title: **Governor's Development Opportunity Fund; small business loans.**

5. Summary: Provides for the transfer of up to \$2 million from the Governor's Development Opportunity Fund (GOF) to a qualified community development financial institution, for the purpose of making commercial loans and investments to start or expand small businesses, when the GOF balance is greater than \$12 million.

6. Fiscal impact estimates are preliminary. See item 8, below.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: When the year-end balance in the GOF exceeds \$12 million, the proposed legislation directs the state Comptroller to transfer within 50 days of the end of each fiscal year up to \$2 million of the balances to the general fund. Within 10 days of such transfer, the state Comptroller is directed to transfer these funds to Virginia Community Capital, Incorporated (VCCI). VCCI is a nonprofit holding company which owns the Community Capital Bank (CCB) of Virginia. CCB would use the funds for commercial loans and investments to start or expand small businesses.

The Code prohibits the Governor from providing grants and commitments from the GOF that exceed the dollar amount contained in the fund. It also directs the State Treasurer to set aside and reserve the funds the Governor has committed and provides that the funds shall remain in the GOF for future fiscal years. Language in the bill would override these provisions, and allow for the transfer of monies that may already be committed to projects from the GOF to VCCI.

At the end of FY 2009, the GOF had a balance of \$26.3 million, of which \$15 million was committed to projects awaiting payment and \$5.1 million committed through GOF preapprovals, net of 40 percent reserve, leaving \$8.3 million uncommitted and available for new projects. Prior to receipt of a grant or loan from the GOF, the political subdivision must enter into a performance agreement with the Commonwealth describing the terms and conditions for receipt of funds. Additionally, the performance agreement will likely contain a date by which the political subdivision must request the GOF check, which date is likely to be three or four months after the Governor has announced that the project will be coming to Virginia. Commitments may be made from the GOF in one fiscal year and paid in a subsequent fiscal year.

VCCI was established by Chapter 624, 2005 Acts of Assembly. It is a nonprofit bank holding company which owns CCB, a for-profit, FDIC-insured, state-chartered, commercial bank. CCB offers flexible financial products designed to support housing and community development ventures, increase jobs and build sustainable communities. VCCI currently has assets totaling approximately \$40 million which are used to support a variety of loan projects, including commercial loans for affordable housing and mixed-use projects, economic development deals and community facilities. Any additional funding could be leveraged to provide additional services.

9. Specific Agency or Political Subdivisions Affected: Virginia Community Capital, Incorporated, Virginia Economic Development Partnership

10. Technical Amendment Necessary: No.

11. Other Comments: HB30/SB30, as introduced includes \$11.8 million from the general fund in each year for the GOF. Additionally, Governor McDonnell proposes to increase that funding by \$12.1 million from the general fund in FY 2011.

Date: 2/10/2010 dpb

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