

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: SB364

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

2. Patron: Barker

3. Committee: Finance

4. Title: **School Construction Revolving Fund; created, report**

5. Summary: Creates the Virginia School Construction Revolving Fund for financing elementary, secondary, or vocational education school projects.

6. Fiscal Impact Estimates: Indeterminate. See item 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: This bill creates the Virginia School Construction Revolving Fund (Fund), an Authority to manage the Fund, and an Advisory Board to the Authority. The Authority is defined as the Industrial Development Authority (IDA) of the County of Stafford and the City of Staunton. This legislation will not have a state fiscal impact unless funds are appropriated by the General Assembly.

The legislation empowers the Authority to administer and manage the Fund and to collect an annual management fee of up to 0.08 percent of the outstanding balance of any loan. The Advisory Board will develop guidance documents governing project eligibility, criteria, and direct the distribution of the loans or grants from the Fund to particular local governments. The Advisory Board is also charged with determining the interest rate and terms and conditions of any loan made from the Fund. The interest rates or repayment terms can vary from locality to locality. The bill does not stipulate how the interest rates will be derived or describe the criteria used to determine them. As a result, it is not possible to determine how the rates will compare with those localities pay for established state loan programs.

The legislation requires each loan to be supported by appropriate bonds or notes of the local government made payable to the Fund. The Authority can require loan documents, instruments, certificates, legal opinions, and any other information it may deem necessary or convenient. It can also require localities to meet various conditions including, but not limited to, establishing rents, rates, fees, and charges to produce revenue to pay all or a portion of the costs to maintain any outstanding debt, or any amount required to create and maintain a reserve. Furthermore, the Authority can require the local government to levy and collect ad valorem taxes on all property within the locality's jurisdiction to repay the loan from the Fund. Meeting the conditions set forth by the Authority may result in additional costs for a locality or increase the tax burden of its citizens.

The Authority will also have the power to pledge, assign or transfer from the Fund to banks or trust companies any or all assets of the Fund for the payment of bonds issued to finance projects. It is also permitted to sell any loan or interest at any time or procure credit enhancements from any public or private entity for the payment of any bonds issued. This legislation also allows the Authority to pledge the Fund to secure any of the Authority's bonds. The bill does not indicate that pledges are limited for public education purposes.

9. Specific Agency or Political Subdivisions Affected: Board of Education and local school divisions.

10. Technical Amendment Necessary: No.

11. Other Comments: Similar to HB351.

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