

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB2003

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: Torian

3. Committee: Appropriations

4. Title: Virginia Public School Authority; loans; acquisition of capital projects.

5. Summary: The proposed legislation would specify that the Virginia Public School Authority (VPSA) is authorized to make loans or loan interest rate subsidy payments to local school boards when the division is acquiring capital projects either by lease or by purchase. Currently, the Code of Virginia is not clear what procurement method school divisions may use to acquire the capital projects. Such capital projects may include motor vehicles or educational technology equipment.

6. Budget Amendment Necessary: None.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: The bill would specify that VPSA loans or interest rate subsidy payments are authorized when local school divisions are acquiring capital projects either by lease or by purchase. Loans from the VPSA are typically funded through the issuance of tax-exempt bonds. Under federal tax regulations, tax-exempt bond proceeds may not be used to pay leases or lease purchase obligations, since these are considered operating expenses and not capital expenditures. If VSPA issued taxable bonds, there would be an increase in borrowing costs, which would require more support from the Literary Fund.

In addition, borrowing from the VPSA for rental payments would essentially require school divisions to pay interest costs twice, since interest costs would be part of the loan repayment and would be imbedded in the amount of the lease payment. Also, localities utilizing bond proceeds to pay for lease costs may be negatively viewed by bond rating agencies. The use of borrowing to pay for operating costs is often seen as a sign of fiscal stress.

9. Specific Agency or Political Subdivisions Affected: Virginia Public School Authority, Department of Treasury, local school divisions

10. Technical Amendment Necessary: None.

11. Other Comments: None.

Date: 1/21/2015 dpb/smc

Document: G:\GA\FIS 2015\HB2003.docx