

Department of Planning and Budget

2022 Fiscal Impact Statement

1. Bill Number: SB471

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: McClellan

3. Committee: Finance and Appropriations

4. Title: Literary Fund; loans; application process; maximum loan amounts; rates of interest; closing costs.

5. Summary: Makes several changes to the provisions relating to loans from the Literary Fund to finance the construction and renovation of public elementary and secondary school buildings in the Commonwealth. The bill requires the Board of Education (the Board) to establish an annual open application process for Literary Fund loans to occur during the period that the Board deems most suitable. The bill increases from \$7.5 million to \$25 million the maximum Literary Fund loan amount and permits the Board to offer a loan add-on not to exceed \$5 million for loans for any school construction or renovation project that facilitates the consolidation of schools. The bill requires the Board, in consultation with the Department of the Treasury, to establish loan interest rates that are benchmarked to a market index on an annual basis, and to utilize a sliding scale based on the local school division's composite index of local ability to pay to determine the interest rate on each such loan. Under current law, such rates are required to be set between two and six percent per year. The bill requires the Board to establish a competitive program for the award of up to \$25,000 to a school division that receives a Literary Fund loan for the purpose of subsidizing all or a portion of the closing costs for such loan. The bill also permits the Board to remove any project that has been inactive for at least five years from any Literary Fund loan project waiting list that it maintains. This bill is a recommendation of the Commission on School Construction and Modernization.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Indeterminate, see Item 8.

8. Fiscal Implications: There is no anticipated state general fund impact as a result of this bill. This bill will result in an indeterminate state fiscal impact to the Literary Fund. Item 137.C.11. of HB/SB 30, 2022 General Assembly Session, authorizes the Board of Education (BOE) to issue Literary Fund construction loans and subsidy grants from the designated and uncommitted balances of the Literary Fund and designates up to \$200.0 million in FY 2023 and up to \$200.0 million in FY 2024 for such loans or grants, subject to the availability of funds. Therefore, any cost to the state would be from the designated and uncommitted

balances of the Literary Fund. Additionally, any revenue impact resulting from changes to Literary Fund loan interest rates would impact future receipts to the Literary Fund and available cash for future construction loans and subsidy grants; however, such amount also is indeterminate.

9. Specific Agency or Political Subdivisions Affected: Department of Education, Board of Education, Department of the Treasury, local school divisions

10. Technical Amendment Necessary: Yes.

Line 49, after “of” insert “the”.

Line 51, strike “0.299” and insert “0.2999”.

11. Other Comments: This bill is similar to HB253.