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SENATE BILL NO. 471

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance and Appropriations
on February 9, 2022)

(Patron Prior to Substitute—Senator McClellan)

A BILL to amend and reenact §§ 22.1-147, 22.1-148, and 22.1-150 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 22.1-146.2, relating to the Literary Fund; loans; application process; maximum loan amounts; rates of interest; closing costs; waiting lists.

Be it enacted by the General Assembly of Virginia:

1. That §§ 22.1-147, 22.1-148, and 22.1-150 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 22.1-146.2 as follows:

§ 22.1-146.2. *Loan closing cost subsidies.*

A. The Board shall 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.

B. The aggregate amount of subsidies provided pursuant to this section shall not exceed \$250,000 total statewide each year or any such allocation specified in the general appropriation act for each fiscal year.

§ 22.1-147. *Application for and distribution of funds.*

A. The Board shall establish an annual open application process for Literary Fund loans that shall occur during the period that the Board deems most suitable. The Board shall prioritize applications on the basis of the composite index of local ability-to-pay.

B. The Board of Education shall provide for an equitable distribution of the funds loaned or provided as loan interest rate subsidy payments from the Literary Fund among the several school divisions. In providing for such equitable distribution, the Board shall impose a maximum limit of not more than \$7.5 \$25 million on the amount of any loan from the Literary Fund. The Board shall offer a loan add-on not to exceed \$5 million per loan for projects that result in school consolidation and the net reduction of at least one existing school.

§ 22.1-148. *Restrictions upon making loans; retirement of previous loans; waiting lists.*

A. No loan from the Literary Fund shall exceed ~~100%~~ 100 percent of the cost of the building, addition thereto, and site ~~on account of~~ for which such loan is made. No loan shall be made from the Literary Fund to aid in the erection of a building or addition ~~to cost~~ that costs less than \$500. Whenever a loan is made from the Literary Fund for the purpose of enlarging a building, any part of the proceeds of such loan may, in the discretion of the Board, be used to retire any previous loan or loans on such building although not matured at the time of such additional loan. The Board may refuse to make any loan from the Literary Fund to any school board ~~which~~ that is in default in the payment of any part of the principal of any previous loan from the Literary Fund or which for the two years next preceding the loan has been more than six months in default in the payment of interest due on any loan from the Literary Fund.

B. Any school division ~~which~~ that has an application for a Literary Fund loan for an approved school project pending before the Board of Education shall not be denied or delayed in obtaining such loan solely for the reason that alternative financing had been obtained to begin or complete construction on such project.

C. Notwithstanding the provisions of subsection B, the Board may remove any project that has been inactive for at least five years from any project waiting list that it maintains.

§ 22.1-150. *Rate of interest.*

The Board of Education is authorized in its discretion to fix the interest rate on all loans made from the Literary Fund at not less than two per centum per annum and not more than six per centum per annum, payable annually, in consultation with the Department of Treasury, shall establish loan interest rates that are benchmarked to a market index on an annual basis, not to exceed two percent per year for the localities with a school division composite index of local ability-to-pay between 0.0 and 0.299. The Board shall 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. Every loan made under the provisions of this chapter by selling the bonds, notes, or other evidences of debt of school boards for investment of the trust funds of the Virginia Retirement System shall bear interest at a rate not to exceed six per centum the maximum interest rate per year as established by the Board.

2. That the Board of Education shall make such amendments to its Regulations Governing Literary Loan Applications in Virginia (8VAC20-100) as are necessary to effectuate the provisions of the first enactment of this act.