SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 1266

PRINTER'S NO. 1773

AMOUNT

$150 Million
$10.6 Million

FUND

General Obligation Bond
Estimated Annual Debt Service

DATE INTRODUCED

September 28, 2011

PRIME SPONSOR

Senator Gordner

HISTORY OF BILL

Referred to APPROPRIATIONS, Sept. 28, 2011
Reported as amended, Nov. 14, 2011
First consideration, Nov. 14, 2011

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1266 authorizes the issuance of a general obligation bond in an amount not to exceed the aggregate sum of $150,000,000, not including money borrowed to refund outstanding bonds, notes or replacement notes, to rehabilitate areas affected by Hurricane Irene and Tropical Storm Lee. The latest stated maturity date shall not exceed 20 years.

Proceeds from the sale of the bonds shall be placed in a newly-created separate fund in the state treasury known as the Disaster Relief Fund. The moneys in the Disaster Relief Fund shall be used to fund projects that are defined in or authorized by The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law 93-288, 88 Stat. 143), as well as other projects needed to rehabilitate areas affected by Hurricane Irene and Tropical Storm Lee which are not funded by the federal government. Bond proceeds may also be used for payment of costs and expenses of issuing bonds.

Subject to the total limit of $150 million of bond proceeds, an amount of not more than 75% of the funds shall be used to provide the Commonwealth's share of costs for highways and bridges, flood control, disaster mitigation and any other costs provided by the federal government under The Robert T. Stafford Disaster Relief and Emergency Assistance Act.

At least 25% of the funds shall be used for projects not funded by the federal government or funded by the federal government at a level insufficient to meet current codes and standards. Such projects may include rehabilitation, construction, reconstruction, repair, other than normal maintenance, or replacement of highways and bridges, flood control, disaster mitigation, a public facility of a political subdivision in counties declared as disaster areas, and a non-profit facility owned and operated by a non-profit organization in counties declared disaster areas. If funding is insufficient to provide assistance to all eligible projects, the bill provides selection criteria to be used and factors to be considered by the Commonwealth.

The bill provides that if moneys remain in the Disaster Relief Fund which are not necessary to pay unexpired contracts or potential legal obligations, those funds may be transferred by the Treasurer, upon approval of the Governor, to the Disaster Relief Redemption Fund to pay for debt service on the existing disaster relief bonds.

Section 4 specifies the terms of issuance of the bonds and requires the necessary facsimile signatories on all bonds issued.

Section 5 specifies that all bonds issued under the act shall be direct obligations of the Commonwealth. It further specifies that the full faith and credit of the Commonwealth are hereby pledged for the payment of the interest on the bonds and the payment of the bonds at maturity. The section also specifies the bonds' exemption from taxation.

Section 6 of the act specifies the requirements for the sale of the bonds, including the private sale of a portion of the bond issue, and provisions for temporary bonds.

Section 7 provides for the requirement for temporary financing authorization. Evidence of debt is required for all temporary borrowings. Provisions for the authorization of replacement notes are also included, as well as the duties of the state Treasurer. The section also addresses the retirement of outstanding notes and the disposition of proceeds.

Section 8 states that all bonds issued shall be paid at maturity and all interest due shall be paid from the Disaster Relief Redemption Fund. Moneys for payment of principal and interest on the bonds must be appropriated by the General Assembly and deposited into this Fund. The specific uses of the moneys in the fund are further clarified in this section.

Section 9 states the requirements for the issuance of refunding bonds.

Section 10 requires the Treasurer to report the amount of money necessary to pay interest due and principal of the bond obligations to the Secretary of the Budget by November each year.

Section 11 requires the Auditor General to keep a registry of the bonds.

Section 12 specifies the voting requirements of the issuing officials.

Section 13 provides for appropriations to the Governor from the Disaster Relief Fund from the bond proceeds, for the projects specified in the act, net of any costs and expenses of issuing the obligations. This section also provides an appropriation to the State Treasurer from the Fund for all costs and expenses associated with the issue of, sale and registration of the bonds and notes, and the payment of interest arbitrage rebates on the proceeds of the bonds and notes.

The act takes effect immediately.

FISCAL IMPACT:

If the general obligation bond is issued for $150 million, and assuming an interest rate of 3.5% and a term of 20 years, the annual debt service for the bond is $10,554,162.