FISCAL NOTE

Bill #: HB0435 Title: Loans for teachers to purchase housing

in school district

Primary

Sponsor: Bob Lawson **Status:** As Introduced

Sponsor signature Date Chuck Swysgood, Budget Director Date

Expenditures:	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>	
State Special Revenue	\$3,000	\$1,000	
Revenue:			
General Fund	(2,500,000)	0	
State Special Revenue	2,500,000	0	
Net Impact on General Fund Balance:	(\$2,500,000)	\$0	

Yes	No X	Significant Local Gov. Impact	Yes	No X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
X		Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce

1. HB 435 creates an educational housing revolving loan account, which is to be administered by the Housing Division in the Department of Commerce. Rulemaking authority would be provided to the Board

- of Housing, \$2.5 million in lottery profits would be transferred and appropriated to the new revolving loan account.
- 2. Current statute requires lottery profits to be transferred to the general fund on a quarterly basis. It is assumed that \$2.5 million would be transferred to the new revolving loan account after profits are earned. Part of the \$2.5 million would be transferred sometime after October 1, 2001 and the remainder would be transferred sometime after January 1, 2002 since it would take approximately 2 quarters to earn profits of \$2.5 million (i.e. the quarters ending September 30, 2001 and December 31, 2001).
- 3. Housing loans up to \$10,000 would be provided to eligible school employees at an interest rate of 4% for the first 5 years and a rate of 6% for subsequent years. Payment on the loans would not begin until the residence is sold, certified employment with the school district ceases, or 10 years has passed, whichever occurs first.
- 4. Costs to administer the housing revolving loan account would be paid from moneys within the account. Implementation of HB 435 will require start up costs of approximately \$3,000 and approximately \$1,000 per year thereafter. The board's current operational cost per dollar of mortgage is \$.002832. The \$2.5 million would allow approximately 250 loans to be made, which would take the board approximately five years to disburse. No FTE would be required because of the partnerships the board has established with approved lending institutions which would process each loan along with the primary mortgage on the property. For loans not done through the 280 approved lending institutions of the Board, the cost for each loan would be approximately \$1,000.
- 5. All other fund uses, other than administrative, would be in the form of loans, which are not expensed on the state accounting system, but classified as assets (Loans Receivable). Write-offs of delinquent loans would be a non-budgeted expense.
- 6. No assumptions are made as to loan repayment terms after the initial 10 year period. If loans begin to amortize after the initial 10 year period there will be servicing fees that will need to be paid by the borrower. These fees are typically 3/8% of the outstanding mortgage.

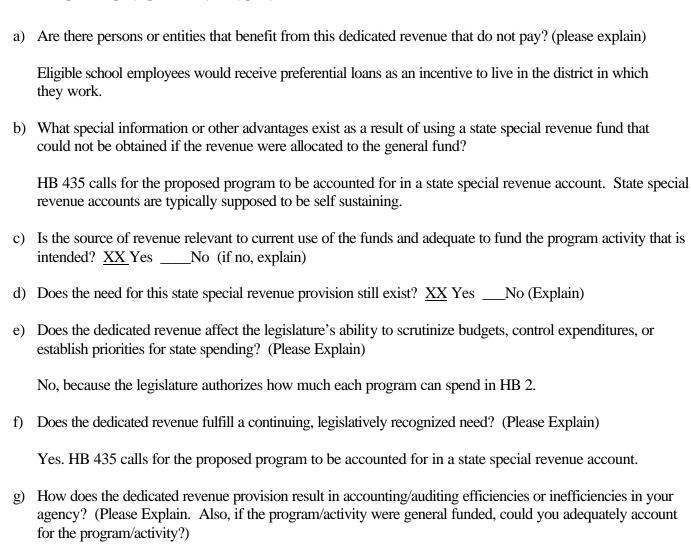
FISCAL IMPACT:

I MOTION THE T.	FY2002 Difference	FY2003 Difference
Expenditures: Operating Expenses	\$3,000	\$1,000
<u>Funding:</u> State Special Revenue (02)	\$3,000	\$1,000
Revenues: General Fund (01) State Special Revenue (02)	(2,500,000) 2,500,000	0
Net Impact to Fund Balance (Revenue of General Fund (01) State Special Revenue (02)	minus Expenditure): (\$2,500,000) \$2,497,000	0 (\$1,000)

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DEDICATION OF REVENUE:

commensurate with costs.



Programs allocated to the department as state special revenue are typically self sustaining with revenues set