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

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
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**		**Yes**	**No**	
	X	Significant Local Gov. Impact		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:

	FY2002 Difference	FY2003 Difference
Expenditures:		
Operating Expenses	$3,000	$1,000
Funding:		
State Special Revenue (02)	$3,000	$1,000
Revenues:		
General Fund (01)	(2,500,000)	0
State Special Revenue (02)	2,500,000	
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	($2,500,000)	0
State Special Revenue (02)	$2,497,000	($1,000)

DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

Eligible school employees would receive preferential loans as an incentive to live in the district in which they work.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

HB 435 calls for the proposed program to be accounted for in a state special revenue account. State special revenue accounts are typically supposed to be self sustaining.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? XX Yes ____No (if no, explain)

d) Does the need for this state special revenue provision still exist? XX Yes ___No (Explain)

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No, because the legislature authorizes how much each program can spend in HB 2.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes. HB 435 calls for the proposed program to be accounted for in a state special revenue account.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

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