

FISCAL NOTE

HB 1475 – SB 2055

April 2, 2007

SUMMARY OF BILL: Creates an Education Revolving Loan (ERL) sub-account within the lottery capital outlay account, otherwise referred to as the Tennessee Schoolhouse Trust Fund Account (the creation of which has been proposed in HB2357), for the purpose of making loans to finance certain local government education projects. Requires the Tennessee Local Development Authority (TLDA) to allocate funds to the ERL sub-account from deposits made to the Tennessee Schoolhouse Trust Fund Account and to deposit specific appropriations and all loan repayments to the ERL. Such funds shall be used for making loans to local governments to supplement the funding of capital construction for K-12 capital projects. Requires the TLDA to annually report on the ERL program and make funding and programmatic recommendations to the General Assembly.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The fiscal impact of this bill is dependent upon two factors: (1) Passage of HB2357 (The Tennessee Schoolhouse Trust Fund Act of 2007), and (2) a one-time transfer of \$100,000,000 from the Lottery for Education Account (net lottery proceeds) to the Tennessee Schoolhouse Trust Fund Account. The \$100,000,000 transfer has been included in the Governor’s FY07-08 Budget Document. Given these two factors are met, there will be increases to one-time and recurring state expenditures of approximately \$60,000 and \$152,000 respectively. These incremental expenses will be paid from funds deposited/transferred to the Tennessee Schoolhouse Trust Fund Account.

Assumptions:

- It is the legislative intent that the program proposed in this bill be a self-sustaining revolving loan program.
- No funds within the ERL are used as non-repayable grants.
- Local governments enter into binding loan agreements with the state after passage of a resolution by the local governing body.

- Local governments provide by resolution for the levy and collection of a property tax within the local government jurisdiction sufficient to pay the debt service when due as stated within the loan agreement.
- Local governments are authorized to pledge or assign other tax revenues, or its portion of state-shared sales tax revenues, to the extent such revenues are not already pledged or assigned.
- The Commissioner of Finance and Administration is authorized to retain state-shared sales tax revenue or any portion thereof, which would otherwise be due local governments, in the event of payment default.
- A one-time transfer of \$100,000,000 to the Tennessee Schoolhouse Trust Fund Account from the Lottery for Education Account. This is included in the Governor's FY07-08 Budget Document.
- A subsequent one-time appropriation of an unknown amount from the Tennessee Schoolhouse Trust Fund Account to the ERL sub-account for purposes stated in this legislation.
- Additional administrative costs for the state as a result of this legislation are to be paid from funds deposited/transferred to the Tennessee Schoolhouse Trust Fund Account.
- According to the Comptroller of the Treasury, the department will incur additional one-time and recurring expenditures estimated to be \$60,000 and \$60,200 respectively for FY07-08. The increase to recurring expenditures for FY08-09 is estimated to be \$62,000. These costs are dependent upon passage of HB 2357 (The Tennessee Schoolhouse Trust Fund Act of 2007) and would be paid from funds deposited/transferred to the Tennessee Schoolhouse Trust Fund Account.
- One (1) position for the Department of Education (DOE) for implementing the provisions of this bill.
- The increase to recurring state expenditures for the one DOE position is estimated to be \$90,000 per year. These additional expenditures will be paid from funds deposited/transferred to the Tennessee Schoolhouse Trust Fund Account.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director