TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2390 - SB 2358

April 3, 2009

SUMMARY OF BILL: Authorizes the State of Tennessee to issue direct general obligation interest-bearing bonds in amounts not to exceed $701,100,000. Requires $210,900,000 be allocated to the Department of Finance and Administration (F&A) for the purpose of capital outlay and for making grants to local governments; requires $56,900,000 be allocated to F&A for the purpose of making grants to Bradley County, the Southeast Tennessee Development District, and the Chattanooga Area Regional Council of Governments for the Wacker Chemie AG Project; requires $3,300,000 be allocated to F&A for the purpose of capital outlay and/or maintenance for state office buildings and for making grants to local governments; requires $80,000,000 be allocated to the Department of Transportation (TDOT) for construction and maintenance to state highways; requires $350,000,000 be allocated to TDOT for construction and maintenance to state highways. Authorizes the funding board to issue bonds in amounts not to exceed 2.5 percent of the amount specified above for funding discount and costs of issuance. Repeals six previous bond authorizations with a cumulative principal amount of $41,285,000.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $76,600,000 – 1st Year Debt Service

<u>$1,133,991,000 Over life of the bonds</u>
$695,700,000 Principal
$438,291,000 Interest

(Reflected in the Governor's FY09-10 Recommended Budget

Assumptions:

- All projects authorized by this act shall be approved by the State Building Commission.
- Bonds may be designated as college savings bonds pursuant to the Baccalaureate Education Savings for Tennessee Act.
- The coupon rate is estimated to be six percent.

- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.
- First-year debt service on the issuance of $210,900,000 of bonds is approximately $23,200,000. The projects for which these bonds will be authorized are in the Governor's recommended budget (page A-121).
- First-year debt service on the issuance of $56,900,000 of bonds is approximately $6,300,000. The projects for which these bonds will be authorized are in the Governor's recommended budget (page A-121).
- First-year debt service on the issuance of $3,300,000 of bonds is approximately $400,000. The projects for which these bonds will be authorized are in the Governor's recommended budget (page A-153).
- First-year debt service on the issuance of $80,000,000 of bonds is approximately $8,800,000. The projects for which these bonds will be authorized are in the Governor's recommended budget (page A-121).
- First-year debt service on the issuance of $350,000,000 of bonds is approximately $38,500,000. The projects for which these bonds will be authorized are in the Governor's recommended budget (page A-121).
- Total first-year debt service for the new bond authorizations is estimated to be $77,200,000 ($23,200,000 + $6,300,000 + $400,000 + $8,800,000 + $38,500,000 = $77,200,000).
- According to F&A, debt service savings will result from the repeal of three bond authorizations with a total principal value of $5,400,000; there will be no debt service savings for the state on the remaining bond authorizations with a total principal value of $35,885,000.
- Debt service savings are estimated to be approximately $600,000 per year. All anticipated debt service savings is reflected in the Governor's recommended budget (Page A-121)
- The net first-year debt service is estimated to be $76,600,000 ($77,200,000 - $600,000 = $76,600,000).

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

/rnc