

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB2381 - SB2243

March 12, 2012

**SUMMARY OF AMENDMENT (014500):** Deletes all language after the enacting clause. Authorizes the Commissioner of the Department of Transportation to enter into negotiated contracts with financial institutions for the purposes of stabilizing net expenses of the Department in the purchase of gasoline, diesel, or other fuels for the Department's own use. Such contracts may be procured and executed pursuant to policy approved by the Chief Procurement Officer and the State Funding Board. Requires such policy to provide, at a minimum that the initial selection of financial institutions shall be conducted by a public solicitation and to request qualifications, including credit worthiness and other factors as determined by the Chief Procurement Officer and approved by the State Funding Board. Requires that any suit, action, or proceeding at law or in equity against the State shall be brought solely in any court of competent jurisdiction in Davidson County, Tennessee. Requires the Commissioner to report, no later than January 31, 2013 and annually thereafter prior to January 31, to the State Funding Board and the chairs of the Senate and House Finance, Ways and Means Committees on the utilization of the authority of this section. The authority granted under this section shall expire on June 30, 2016.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact - Potential cost avoidance if fuel prices increase during the term of the fuel hedging contract. Any resulting cost avoidance would be contingent on several unknown variables, such as the amount of fuel purchased, the length of the hedging contract, and the amount of fuel price increase. Given the extent of unknown variables, any future cost avoidance cannot be quantified with reasonable certainty.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Unchanged from the original fiscal note.**

Assumptions applied to amendment:

- Entering into negotiated fuel hedging contracts will provide certainty to the Department regarding the exact prices that will be paid per gallon of fuel for a specific period of time.

- Potential cost avoidance if fuel prices increase during the term of the fuel hedging contract. The exact amount is contingent on several unknown variables, such as the amount of fuel purchased, the length of the hedging contract, and the amount of fuel price increase, and cannot be reasonably estimated.
- The negotiation process will not result in a significant fiscal impact to the Department.
- Any increase in expenditures for the State Chief Procurement Officer or the State Funding Board will be not significant and can be accommodated within existing resources.
- Requiring any suit, action, or proceeding against the state to be brought in a Davidson County court will not result in a significant fiscal impact to state or local government. Any increase in the caseloads of Davidson County courts can be accommodated within existing judicial resources without an increased appropriation or reduced reversion.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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