

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2502 - SB 2600

February 26, 2014

SUMMARY OF BILL: Authorizes the State to issue direct general obligation bonds in amounts not to exceed \$167,600,000. The proceeds will be allocated to the Department of Finance and Administration (\$31,700,000) for capital outlay projects, and (\$52,400,000) for grants to the Industrial Development Board of Montgomery County for the Hankook Tire Co. project and to the Department of Transportation (\$83,500,000) for highway improvements. Authorizes the State Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and costs of issuance.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$18,436,000 - First Year Debt Service

\$273,188,000 Over life of the bonds

\$167,600,000 Principal

\$105,588,000 Interest

Assumptions:

- All capital improvement projects shall be authorized and approved by the State Building Commission.
- 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 debts service plus any costs of issuance.

CERTIFICATION:

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

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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