

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 78 - HB 51

February 4, 2013

SUMMARY OF BILL: Authorizes all municipalities to participate as a borrower and a lender in the rural economic development loan and grant program (REDLG).

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Due to multiple unknown factors, including but not limited to, the number of local utilities that elect to participate in the REDLG program, the extent to which local utilities make loans and provide grants to local businesses, the extent to which any loans are repaid from participating local businesses to participating local utilities, and the extent of economic development that occurs as a result of the REDLG program, a precise fiscal impact to local governments cannot be reasonably determined. Some participating local governments may benefit due to successful economic development projects in their respective jurisdictions; however, some local governments could incur a significant negative impact if the economic development projects in their respective jurisdictions are unsuccessful. The net permissive fiscal impact to local government is unknown. Any fiscal impact to the state is estimated to be not significant.

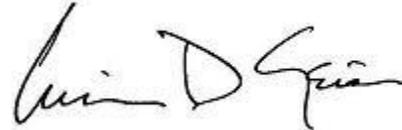
Assumptions:

- The provisions of this bill are permissive to local governments.
- Pursuant to Tenn. Code Ann § 7-52-103(b), municipalities located within Dickson, Hardeman, and Lincoln counties are currently the only municipalities authorized to act as a borrower and lender in the rural economic development loan and grant program; this bill will extend this authorization to all municipalities.
- According to the Comptroller of the Treasury, there will be no fiscal impact to the Comptroller's Office as a result of this bill.
- According to the Tennessee Department of Agriculture, there will be no fiscal impact to the Department as a result of this bill.
- RED Loans and Grants are currently administered by the United State Department of Agriculture (USDA).
- According to USDA, the RED Loan program provides zero interest loans from the USDA to local utilities which then provide loans to local businesses; the local business directly repays the local utility who then repays the USDA.
- The maximum amount of a RED Loan is \$1,000,000.

- The RED Grant program provides grants to the local utility which then establishes a revolving loan program. Upon termination of the revolving loan fund, the grant is repaid by the local utility to the USDA.
- The maximum amount of a RED Grant is \$300,000.
- In the event a loan recipient defaults on a loan, the local utility will be responsible for repayment to the USDA, resulting in a possible increase in local government expenditures.
- The USDA requires a participating local utility to provide a 20 percent match of funds for which the utility is applying.
- In the event a local utility opts to participate in the REDLG program, and it is successful, it is reasonably assumed there will be an increase in local government revenue resulting from an increase in local business success.
- It is assumed all participating local utilities will be able to administer the loan program without an increase to existing staff.
- The fiscal impact of this bill is dependent upon multiple unknown factors.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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