TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1375 – SB 1400

April 15, 2015

SUMMARY OF ORIGINAL BILL: Authorizes the state to issue general obligation interest bearing bonds in amounts not exceed $521,400,000. Of this amount, $236,800,000 will be allocated to the Department of Finance and Administration (F&A) for capital outlay projects; $165,800,000 will be allocated to F&A for the purpose of grants to the Industrial Development Board of the City of Chattanooga for the Volkswagen Group of America Chattanooga Operations, LLC; $35,000,000 will be allocated to F&A for making other grants to industrial development corporations, and $83,800,000 will be allocated to the Department of Transportation for the construction of highways and acquisition of equipment, and erection, construction and equipment of sites and buildings including the acquisition of existing structures for expansion, improvements, betterments and extraordinary repairs to existing structures. Authorizes the Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and cost of issuance.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - $57,400,000/First Year Debt Service

<u>$849,900,000 Over the life of the bonds</u>
$521,400,000 Principal
$328,500,000 Interest

SUMMARY OF AMENDMENT (006037): Makes changes to preamble clauses; makes the $35,000,000 allocation to the Department of Finance and Administration, available for grants to industrial development corporations in the original bill, available for grants to the Industrial Development Board of Rutherford County for Nissan North America, Inc. project in the amended bill.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- All projects authorized shall be approved by the State Building Commission.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.

- Assumes one-twentieth of the initial principal plus interest will be paid annually, instead of level debt service payments over the life of the bond.
- 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.

CERTIFICATION:

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

Jeffrey L. Spalding, Executive Director

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