

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 161 - SB 304

March 8, 2015

SUMMARY OF BILL: Adds privately-owned for-profit community public water systems to the definition of water and water system. Authorizes the Drinking Water Revolving Fund (DWRF) to be used for loans to a privately-owned for-profit community water system and that no privately-owned for-profit community water system be considered for loans with principal forgiveness. Requires a privately-owned for-profit community water system be categorized as entities with a 100 percent ability to pay on the index established pursuant to § 68-221-1205. Requires a privately-owned for-profit community water system borrower to have a minimum debt-to-service coverage ratio of 1.25. Requires a privately-owned for-profit community water system to provide security determined by the Tennessee Local Development Authority (TLDA) to be acceptable to secure a loan under this part. Authorizes the TLDA to direct a privately-owned for-profit community water system to the Water and Wastewater Financing Board for compliance as set forth in Tenn. Code Ann. §§ 68-221-1009 and 68-221-1010, and to the Comptroller of the Treasury. Declares that a privately-owned for-profit community water system shall not have the same powers as prescribed in Tenn. Code Ann. § 68-221-1005.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent funds from the Drinking Water Revolving Fund (DWRF) are loaned to privately-owned for-profit community water systems and the amount of funds otherwise available to local government entities is reduced sufficient that a local government entity is required to secure financing elsewhere; debt service costs for the local government entity may increase as a result of the bill.

Assumptions:

- This bill adds privately-owned for-profit community water systems to the list of entities that can apply for and receive funds in the form of loans from the DWRF.
- No change in appropriations to the DWRF as a result of the bill.
- Currently only local government entities are eligible to receive funding loans for purposes of the program. The eligibility of privately-owned for-profit community water systems will require the same type of review process currently in place for local government entities.
- Loan terms with privately-owned for-profit community water systems are assumed to be similar to loan terms with other local government entities.

- According to the Department of Environment and Conservation, the provisions of the bill will not impact the operations of the department.
- Based on the information received by the Tennessee Regulatory Authority, this bill will have no fiscal impact on the authority.
- According to the Municipal Technical Advisory Service, this bill increases the number of entities that will be eligible to receive loan funds from the DWRF, which could increase in the demand for a limited amount of loan funding available in the DWRF.
- The fiscal impact of this bill is dependent upon several unknown factors such as the number of privately-owned for-profit community water systems that will be eligible for loans from the DWRF, the number of such entities that will apply for loans from the DWRF, the frequency for which such entities will apply for loans from the DWRF, the terms of any executed loan agreement with a privately-owned for-profit community water system relative to the terms of any executed loan agreement that would have otherwise been made to a local government entity under current law, and the timing for when any such loans are executed with a privately-owned for-profit community water system.
- Given the extent of unknown factors, a precise fiscal impact for the bill cannot be determined. However, to the extent funds from the DWRF are loaned to privately-owned for-profit community water systems pursuant to the bill, and the amount of funds otherwise available to local government entities is reduced sufficient that any local government entity is required to secure financing elsewhere; debt service costs for local government entities may increase as a result of the bill.

IMPACT TO COMMERCE:

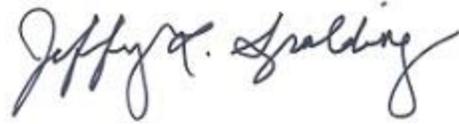
Other Fiscal Impact – Possible reduction in business expenditures if debt service costs for any privately-owned for-profit community water system are lower as a result of borrowing from the Drinking Water Revolving Fund relative to potentially higher debt service costs charged by other private lenders. The extent of any such reduced business expenditures cannot be determined because such impact is dependent upon multiple unknown factors related to the specifics of any loan agreement.

Assumption:

- It is unknown how many privately-owned for-profit community water systems will seek to apply for and receive funds from the DWRF. However, debt service costs for such entities may be reduced as a result of this bill if such entities are able to acquire loans from the DWRF with lower debt service costs, as compared to the debt service costs they would incur by acquiring debt from other private lenders.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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