FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: February 13, 1996

SUBJECT: **SB 2922 - HB 2749**

This bill, if enacted, provides that if a local governing body issues bonds for the construction or renovation of a conference/convention center or other facility that enhances tourism and generates revenue for the area, then an amount equal to the sales tax revenue derived from sales related to the facility will be allocated to the governing body to be used to retire the debt from the bonds. Such allocation will continue until the debt is retired.

The bill also provides that if a college or university finances the construction or renovation of a stadium through an agreement with the Tennessee State School Bond Authority, that the sales tax revenue derived from sales related to the facility will be allocated to the college or university to be used to retire the debt from the bonds. Such allocation will continue until the obligation is fulfilled.

The fiscal impact from enactment of this bill is shown as follows:

- for ***renovation*** of a conference/convention center and/or ***renovation*** **or** ***construction*** of a stadium - a decrease in state general fund sales tax revenues and a corresponding increase in local government revenues and/or college or university revenues to retire debt from bonds issued. The estimated decrease in state general fund revenues cannot be determined and will depend on the amount of bond issues for such facilities in the future.

However, such decrease in general fund revenues is estimated to exceed $25,000,000 in the long run. *For information purposes, each $1,000,000 issued for bonds is estimated to cost $1,630,000 over the life of the bonds assuming bonds will be issued for 20 years at 6% and that 1/20th of the principal plus interest will be paid annually.*

- for the ***construction*** of a conference/convention center, - the state general fund will forgo state sales tax revenues for such facilities, since such revenues are not currently being collected and such revenues will be allocated to local governments to retire debt from bonds issued. The estimated amount of revenues which the state will forgo cannot be determined and will depend on the amount of bonds issued for such construction in the future. However, such revenues the state general fund will forgo from state sales tax not received is estimated to exceed $10,000,000 in the long run.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport, Executive Director