



February 26, 2021

SUMMARY OF BILL: Makes various changes to statutes governing the issuance of debt by local government entities.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Due to multiple unknown factors a precise recurring decrease in local government expenditures cannot reasonably be determined.

Assumptions:

- The proposed legislation:
 - Authorizes local governments to issue capital outlay notes for public works projects for a term of 12 years, instead of 3 years with 2 extensions permissible for a period of up to 3 years each; and
 - Authorizes local governments to issue revenue bonds to refund bonds to eliminate or mitigate risk due to interest rate changes.
- Pursuant to Tenn. Code Ann. § 9-21-205, § 9-21-206, and § 9-21-604:
 - Requires local governments, prior to the issuance of general obligation bonds to adopt a resolution containing certain information regarding the debt issuance;
 - Requires local governments to then publish a copy of the resolution in a newspaper of general circulation; and
 - An application for an extension or renewal of the maturity date of capital outlay notes issued for public works is required to be done by a resolution issued by the governing body of the issuing local government.
- This analysis assumes:
 - Increasing the maturity date for capital outlay notes issued for public works projects may produce better terms for such notes;
 - Local governments would then experience a decrease in expenditures associated with lowered interest rate payments;
 - Local governments would experience a decrease in expenditures associated with no longer being required to publish copies of resolutions associated with capital outlay note maturity extensions;
 - Local governments would experience a decrease in expenditures associated with interest rate payments attached to bonds when authorized to refund such bonds with revenue bonds.

- Any increases in duties and review required of the Comptroller of the Treasury will be accomplished utilizing existing staff and resources; therefore, any increase in state expenditures is considered not significant.
- Due to the extent of unknown variables associated with the changes in local government debt issuance, the extent and timing of any recurring permissive decrease in local government expenditures cannot reasonably be determined.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, slightly slanted style.

Bojan Savic, Interim Executive Director

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