



February 29, 2024

SUMMARY OF BILL: Prohibits a municipality, or an instrumentality of a municipality, from taking any action that affects or has the potential to affect the tax obligations, fees, or other costs for real property owners whose property is located outside a municipality's corporate boundary, unless the action is approved by the county legislative body (CLB) in which such property is located.

FISCAL IMPACT:

Other Fiscal Impact – A precise increase in foregone local revenue and increase in mandatory expenditures cannot be estimated. *

Assumptions:

- Any vote by a CLB to approve a municipal action will take place at a regularly scheduled meeting, resulting in no increase in local expenditures.
- Requiring municipalities to obtain CLB approval prior to taking actions that may affect the tax obligations, fees, or other costs of residents outside the city's limits will have a significant impact on municipal operations and revenues.
- The proposed legislation does not define what constitutes "other costs." It is assumed that actions regarding utilities, economic development, land use, or transportation could be impacted.
- If a CLB delays its approval, then the municipality, or an instrumentality of such municipality, may incur mandatory expenditures for current projects while waiting for approval. Should a CLB deny approval, the municipality or instrumentality thereof may experience an increase in foregone revenues or incur additional mandatory expenditures.
- A utility's debt and bonds are backed by its ability to raise rates to customers; if rates cannot be increased, there may be a significant mandatory increase in local expenditures to obtain debt financing in the future.
- A municipal utility that serves customers outside its city limits would not be permitted to raise rates for unincorporated customers without county approval; if that approval is not granted, fees and rates would be increased for customers inside the city limits.
- The Tennessee Valley Authority (TVA) regulates all of its local electric distributors, as well as local power rates, and prohibits discrimination of rates within the same rate class.

- Should the provisions of the proposed legislation result in rate payers within the same rate class paying a different rate, it is assumed the TVA's requirement would preempt the legislation.
- The impact of the proposed legislation is dependent on future actions by municipalities and CLBs, which cannot be predicted; therefore, a precise increase in foregone local revenue and mandatory expenditures cannot be estimated.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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