



Tennessee Senate

PUBLIC CHAPTER NO. 170

SENATE BILL NO. 518

By Reeves

Substituted for: House Bill No. 561

By Capley, Hardaway

AN ACT to amend Tennessee Code Annotated, Section 7-34-111; Section 7-36-113; Section 7-82-501; Section 7-82-702; Section 68-221-1311 and Section 68-221-611, relative to utilities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 7-34-111, is amended by adding the following new subsection:

(g)(1) Any municipal, metropolitan-government, or county-owned water or wastewater system may borrow money in anticipation of the collection of revenues and issue negotiable notes to evidence such borrowing for the purpose of providing emergency cash flow.

(2) Notes may only be issued under this subsection (g) by resolution of the water or wastewater system's governing body, which shall determine the sale price of the notes, how the notes may be sold, and the terms and conditions of such sale.

(3) Notes issued under this subsection (g) must be secured solely by a pledge of and lien on the revenues of the water or wastewater system.

(4) The principal value of the notes that may be issued under this subsection (g) during any twelve-month period must not exceed sixty percent (60%) of total projected cash flows for the same period.

(5) All notes issued under this subsection (g) during the twelve-month period pursuant to subdivision (g)(4) must be retired and paid in full on or before the end of such period.

(6)(A) The comptroller of the treasury, or the comptroller's designee, must approve the sale of any notes sold under this subsection (g) prior to the issuance of such notes.

(B) The comptroller of the treasury, or the comptroller's designee, in consultation with the water or wastewater system, shall develop a corrective action plan by which the system must abide. The corrective action plan takes effect at the time the comptroller, or the comptroller's designee approves the issuance of notes under this subsection (g) and remains in effect as long as the notes are outstanding and until the system, in the discretion of the comptroller, or the comptroller's designee, has adequate cash reserves and an adequate cash management plan.

(C) If the comptroller, or the comptroller's designee, approves the note issuance, then the comptroller or the comptroller's designee shall refer the water or wastewater system to the Tennessee board of utility regulation. The board may review the system and order any appropriate remedial measures pursuant to § 7-82-706.

(7) If the water or wastewater system's revenues are insufficient to pay all notes issued pursuant to this subsection (g) at maturity, then the system may request approval from the comptroller, or comptroller's designee, to renew any unpaid notes for a period of time and under such terms as approved by the comptroller of the treasury or the comptroller's designee.

SECTION 2. Tennessee Code Annotated, Section 7-36-113, is amended by adding the following new subsection:

(j)(1) Any authority, whether created pursuant to this chapter or another public or private act, may borrow money in anticipation of the collection of revenues and issue negotiable notes to evidence such borrowing for the purpose of providing emergency cash flow.

(2) Notes may only be issued under this subsection (j) by resolution of the authority's governing body, which shall determine the sale price, how the notes may be sold, and the terms and conditions of such sale.

(3) Notes issued under this subsection (j) must be secured solely by a pledge of and lien on the revenues of the authority.

(4) The principal value of the notes that may be issued under this subsection (j) during any twelve-month period must not exceed sixty percent (60%) of total projected cash flows for the same period.

(5) All notes issued under this subsection (j) during the twelve-month period pursuant to subdivision (j)(4) must be retired and paid in full on or before the end of such period.

(6)(A) The comptroller of the treasury, or the comptroller's designee, must approve the sale of any notes to be sold under this subsection (j) prior to the issuance of such notes.

(B) The comptroller, or the comptroller's designee, in consultation with the authority, shall develop a corrective action plan by which the authority must abide. The corrective action plan takes effect at the time the comptroller, or the comptroller's designee, approves the issuance of notes under this subsection (j) and remains in effect as long as the notes are outstanding and until the authority, in the discretion of the comptroller, or the comptroller's designee, has adequate cash reserves and an adequate cash management plan.

(C) If the comptroller, or the comptroller's designee, approves the note issuance, then the comptroller, or the comptroller's designee, shall refer the authority to the Tennessee board of utility regulation. The board may review the authority and order any appropriate remedial measures pursuant to § 7-82-706.

(7) If the authority's revenues are insufficient to pay all such notes at maturity, the authority may request approval from the comptroller, or comptroller's designee, to renew any unpaid notes for a period of time and under such terms as approved by the comptroller of the treasury, or the comptroller's designee.

SECTION 3. Tennessee Code Annotated, Section 7-82-501(b), is amended by designating the existing language as subdivision (b)(1) and adding the following as subdivision (b)(2):

(b)(2)

(A) Any utility district created pursuant to this chapter or another public or private act may borrow money in anticipation of the collection of revenues and issue negotiable notes to evidence such borrowing for the purpose of providing emergency cash flow.

(B) Notes may only be issued under this subdivision (b)(2) by resolution of the utility district's governing body, which shall determine the sale price of the notes, how the notes may be sold, and the terms and conditions of such sale.

(C) Notes issued under this subdivision (b)(2) must be secured solely by a pledge of and lien on the revenues of the utility district.

(D) The principal value of the notes that may be issued under this subdivision (b)(2) during any twelve-month period must not exceed sixty percent (60%) of total projected cash flows for the same period.

(E) All notes issued under this subdivision (b)(2) during the twelve-month period pursuant to subdivision (b)(2)(D) must be retired and paid in full on or before the end of such period.

(F)(i) The comptroller of the treasury, or the comptroller's designee, must approve the sale of any notes to be sold under this subdivision (b)(2) prior to the issuance of such notes.

(ii) The comptroller, or the comptroller's designee, in consultation with the utility district, shall develop a corrective action plan by which the utility district must abide. The corrective action plan takes effect at the time the comptroller, or the comptroller's designee, approves the issuance of notes under this subdivision (b)(2) and remains in effect as long as the notes are outstanding and until the utility district, in the discretion of the comptroller, or the comptroller's designee, has adequate cash reserves and an adequate cash management plan.

(iii) If the comptroller, or the comptroller's designee, approves the note issuance, then the comptroller, or the comptroller's designee, shall refer the utility district to the Tennessee board of utility regulation. The board may review the utility district and order any appropriate remedial measures pursuant to § 7-82-706.

(G) If the utility district's revenues are insufficient to pay all such notes at maturity, the utility district may request approval from the comptroller, or comptroller's designee, to renew any unpaid notes for a period of time and under such terms as approved by the comptroller of the treasury, or the comptroller's designee.

SECTION 4. Tennessee Code Annotated, Section 7-82-501(f), is amended by deleting the subsection.

SECTION 5. Tennessee Code Annotated, Section 7-82-702(a)(3), is amended by deleting the subdivision and substituting:

(3)(A) Conduct a contested case hearing to determine whether a member of a utility system's governing body should be removed from office. The board may remove a member of a governing body as provided in § 7-82-307(b) or for the following:

(i) Failure to comply with § 12-4-101;

(ii) Misconduct, whether or not the misconduct results in criminal charges;

(iii) Failure to exercise reasonable oversight;

(iv) Actions or failures causing a utility system to display severe managerial incompetence as described in § 7-82-704(a)(3);

(v) Failure to follow board directives, except for good cause shown; or

(vi) Any other reason provided by law;

(B) A new member must be promptly appointed as provided by law;

(C) This section does not give the board the authority to remove an elected official;

(D) As used in this subdivision (a)(3), misconduct is any conduct that constitutes a violation of § 39-16-402, except it is not necessary that the public servant intentionally or knowingly commit such a violation;

SECTION 6. Tennessee Code Annotated, Section 68-221-611(n), is amended by deleting the subsection and substituting:

(n)(1) Any authority, whether created pursuant to this chapter or another public or private act, may borrow money in anticipation of the collection of revenues and issue negotiable notes to evidence such borrowing for the purpose of providing emergency cash flow.

(2) Notes may only be issued under this subsection (n) by resolution of the authority's governing body, which shall determine the sale price of the notes, how the notes may be sold, and the terms and conditions of such sale.

(3) Notes issued under this subsection (n) must be secured solely by a pledge of and lien on the revenues of the authority.

(4) The principal value of the notes that may be issued under this subsection (n) during any twelve-month period must not exceed sixty percent (60%) of total projected cash flows for the same period.

(5) All notes issued under this subsection (n) during the twelve-month period pursuant to subdivision (n)(4) must be retired and paid in full on or before the end of such period.

(6)(A) The comptroller of the treasury, or the comptroller's designee, must approve the sale of any notes to be sold under this subsection prior to the issuance of such notes.

(B) The comptroller, or the comptroller's designee, in consultation with the authority, shall develop a corrective action plan by which the authority must abide. The corrective action plan takes effect at the time the comptroller, or the comptroller's designee, approves the issuance of notes under this subsection (n) and remains in effect as long as the notes are outstanding and until the authority, in the discretion of the comptroller, or the comptroller's designee, has adequate cash reserves and an adequate cash management plan.

(C) If the comptroller, or the comptroller's designee, approves the note issuance, then the comptroller or the comptroller's designee shall refer the authority to the Tennessee board of utility regulation. The board may review the authority and order any appropriate remedial measures pursuant to § 7-82-706.

(7) If the authority's revenues are insufficient to pay all notes issued at maturity, the authority may request approval from the comptroller, or comptroller's designee, to renew any unpaid notes for a period of time and under such terms as approved by the comptroller, or the comptroller's designee.

SECTION 7. Tennessee Code Annotated, Section 68-221-1311(m), is amended by deleting the subsection and substituting:

(m)(1) Any authority, whether created pursuant to this chapter or another public or private act, may borrow money in anticipation of the collection of revenues and issue negotiable notes to evidence such borrowing for the purpose of providing emergency cash flow.

(2) Notes may only be issued under this subsection (m) by resolution of the authority's governing body, which shall determine the sale price of the notes, how the notes may be sold, and the terms and conditions of such sale.

(3) Notes issued under this subsection (m) must be secured solely by a pledge of and lien on the revenues of the authority.

(4) The principal value of the notes that may be issued under this subsection (m) during any twelve-month period must not exceed sixty percent (60%) of total projected cash flows for the same period.

(5) All notes issued under this subsection (m) during the period pursuant to subdivision (m)(4) must be retired and paid in full on or before the end of such period.

(6)(A) The comptroller of the treasury, or the comptroller's designee, must approve the sale of any notes to be sold under this subsection (m) prior to the issuance of such notes.

(B) The comptroller, or the comptroller's designee, in consultation with the authority, shall develop a corrective action plan by which the authority must abide. The corrective action plan takes effect at the time the comptroller, or the comptroller's designee, approves the issuance of notes under this subsection (m) and remains in effect as long as the notes are outstanding and until the authority, in the discretion of the comptroller, or the comptroller's designee, has adequate cash reserves and an adequate cash management plan.

(C) If the comptroller, or the comptroller's designee, approves the note issuance, then the comptroller, or the comptroller's designee, shall refer the authority to the Tennessee board of utility regulation. The board may review the authority and order any appropriate remedial measures pursuant to § 7-82-706.


(7) If the authority's revenues are insufficient to pay all such notes at maturity, the authority may request approval from the comptroller, or comptroller's designee, to renew any unpaid notes for a period of time and under such terms as approved by the comptroller of the treasury, or the comptroller's designee.

SECTION 8. This act takes effect July 1, 2025, the public welfare requiring it.

SENATE BILL NO. 518

PASSED: March 31, 2025


RANDY McNALLY
SPEAKER OF THE SENATE


CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 11th day of April 2025


BILL LEE, GOVERNOR