Tennessee Association of Utility Districts
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Legislative Express

Session 2026 | Final Issue

The 2026 Legislative Session

The 2026 session of the 114th General Assembly adjourned on April 23, 2026. During the 2026 session, TAUD tracked over 65 bills which could affect TAUD members if passed. Here are the bills TAUD was tracking which became law this session. Each bill has now been assigned a Public Chapter Number, and this Final Issue of the Legislative Express for 2026 summarizes these new laws.

Public Chapter 591 – Exempts disaster grants administered by TEMA from statutory requirements related to procurement, except that the state retains the right to inspect places of business and audit books and records for compliance.

This act streamlines disaster-grant administration by relaxing standard procurement rules. Specifically, the Act exempts purchases made with funds from disaster grants administered by the Tennessee Emergency Management Agency (TEMA) from the requirements of Tennessee Code Annotated, Title 12, Chapter 3 (the state's general procurement statutes and procurement statutes for local governments). TEMA is charged with establishing procedures to monitor recipient and subrecipient compliance with disaster response and disaster grant terms and conditions.

A "disaster grant" is a grant or subgrant awarded to the state, or awarded by the state to a person or legal entity, furnishing assistance—financial or otherwise—to support a disaster response and recovery assistance program authorized by law. A "recipient" is a person or entity that directly receives a disaster grant from a federal or state agency to carry out such a program, including utilities. A "subrecipient" is a person or entity that receives a disaster grant from a recipient for the same purpose.

Bill Number: SB1778/HB1467
Effective Date: March 18, 2026

Public Chapter 618 – Removes the two consecutive term limitation for commissioners of utility districts in Gibson County

This act provides that commissioners of utility districts in a county with a population of not less than 50,400 nor more than 50,500 according to the 2020 federal census are not limited to serving two consecutive terms. This population category only applies to Gibson County and only affects Gibson County Utility District.

Bill Number: SB2313/HB2390
Effective Date: March 25, 2026

Public Chapter 620 – Changes in Open Meetings Act - Public Comment Period for Matters Germane to Local Governing Board's Jurisdiction

This act amends the Tennessee Open Meetings Act and requires that a the governing board of local governments must reserve a period during each public meeting for public comment on "any matter that is germane to the jurisdiction of the local governing body." In 2024, the Tennessee Open Meetings Act was amended to require a governing board to reserve a period during each public meeting for public comment on "any matter that is germane to the items on the agenda for the meeting." Local governing body means the governing body of any political subdivision of the state other than a state governmental agency or entity.

Bill Number: SB0178/HB0022
Effective Date: March 26, 2026

Public Chapter 664 – Limits the ability of individuals to seek court orders. Reaffirms sovereign immunity by repealing TCA 1-3-121 and limits causes of action against the state while permitting declaratory or injunctive relief against political subdivisions

A few years ago, Tennessee enacted a law that gave any person broad powers to sue governmental entities. This act deletes that broad provision and institutes a narrower law. Now, utility districts, utility authorities, and local governmental entities remain subject to suit under the new law, but only an ***affected person*** can ask a court to declare an action illegal or unconstitutional and order the utility or local governmental entity to stop. Plaintiffs can only seek declaratory or injunctive relief, not money damages, so the financial exposure under this particular statute is limited to compliance, not payouts. Should a plaintiff believe he or she is entitled to monetary damages, the act preserves any other cause of action or immunity waiver under Tennessee law.

Bill Number: SB1958/HB1971
Effective Date: April 7, 2026

Public Chapter 694 –Authorizes local governments to issue notes for emergency financial assistance and interest-bearing grant anticipation notes for capital projects with Comptroller approval

This act authorizes two new types of notes which can be issued by municipal and county utilities, utility districts, and utility authorities to provide emergency financial assistance to the utility. First, a utility is authorized to issue notes which mature beyond the close of the utility's fiscal year when the notes are approved:

(1) By the Comptroller and guaranteed by the State funding board;
(2) By the Comptroller when the utility is in economic distress due to a natural disaster certified by FEMA; or
(3) By the Comptroller when the utility demonstrates to the Comptroller that a natural disaster has caused economic distress to the utility.

Importantly, the proceeds from these notes can be used to meet the utility's operating expenses unlike the proceeds from other notes which must be used to finance capital improvements.

Second, a utility can issue grant anticipation notes secured by money to be received from a grant contract from a state or federal agency. The issuance of these notes will allow a utility to begin funding the construction of capital improvements before it could do so under the grant contract.

Bill Number: SB1679/HB1672
Effective Date: April 13, 2026

Public Chapter 772 – Requires Tennessee state and local government employers to use the federal E-Verify program for new hires starting July 1, 2026, with attorney general enforcement

This act imposes new employment verification requirements for employees of state government, local governments, and political subdivisions of the State of Tennessee to verify the identity of new employees and their legal authorization to work in the United States. The act mandates the use of E-Verify for all new hires starting July 1, 2026, to confirm that the information in the employee's completed Form I-9 is correct. An employer who uses a third-party vendor to verify Form I-9 for new employees may continue to do so until January 1, 2027. Because this new law applies to all political subdivisions of the State of Tennessee, it applies to utility districts and utility authorities.

Bill Number: SB1922/HB1705
Effective Date: July 1, 2026

Public Chapter 803 – Gives priority for state revolving loan fund consideration to water system projects in rural counties (population under 57,000)

This act adds a new criterion to the priority system TDEC must use for making loans in the drinking water state revolving loan fund (DWSRF) program. Priority must be given to public water systems in a rural county, which is defined to include counties with a population of less than 57,000 according to 2020 federal census or any subsequent census. This act adds a 4th priority for rural counties in addition to the existing three priorities for SRF projects which: (1) address the most serious health risks to human health; (2) ensure compliance with federal and state law; and (3) assist systems most in need per household.

Bill Number: SB2175/HB2205
Effective Date: April 23, 2026

Public Chapter 855 – Disaster Grants to Local Governments

This act authorizes the Director of the Tennessee Emergency Management Agency (TEMA) to administer the Governor's Response and Recovery Fund (the Fund). It authorizes the Fund to be used to provide financial relief, in the form of a grant or loan, to eligible local governmental entities and individuals following a declared state of emergency or disaster. Funds received by eligible local governmental entities can be used for the "repair or replacement of public utilities, including water storage facilities, sewage collection, and power and communication systems." The act provides that funds for eligible projects for local governments must comply with the following:

- Funds can only be used to cover losses not otherwise eligible for coverage through an insurance provider or another federal, state, or local governmental entity;
- Requires local governments receiving funding to use federal procurement requirements under 2 CFR Part 200;
- Clarifies that, unless TEMA grants an extension, funds awarded by TEMA may only reimburse project costs incurred within 18 months of the date the funds were awarded;
- Requires local governments which receive a disaster grant to share project costs of an amount determined by the county's economic status on the date the emergency or disaster begins unless the Governor waives all or part of the required local cost share;
- Requires loan repayments be made to the Fund; and
- Requires local governments to have full coverage for all-risk property insurance and for flood insurance within 120 days from the date of the award's approval, unless an extension is granted by the Director of TEMA.

Bill Number: SB2232/HB2543
Effective Date: July 1, 2026

Public Chapter 863 – Authorizes certain local governments meeting to use project delivery methods other than competitive bidding for qualified construction projects

This act authorizes certain local governments to use project delivery methods other than competitive bidding to finance the construction for capital improvement projects with an estimated cost to exceed $5,000,000. These project delivery methods include: construction manager at-risk; design-bid-build; or design-build. Local governments include utility districts and utility authorities. To qualify to use these project delivery methods the local government:

(1) must have general government revenues of at least $150,000,000 if the local government is a county or metro government;
(2) must have revenues of at least $125,000,000 if the local government is a municipality, utility district, or utility authority; and
(3) must select the party to provide the project delivery method for the project by using a competitive proposal process as described in the new act.

Bill Number: SB2334/HB2407
Effective Date: April 27, 2026

Public Chapter 876 – Wastewater system permitting, plan approval, and design and approval of wastewater systems by developers of new subdivisions

The act addresses three subjects related to the approval and permitting of public wastewater systems in Tennessee.

First, the act specifically provides that TDEC approved engineering plans and specifications for wastewater system construction will not expire 12 months after approval when the utility has either commenced construction before then or obtained an extension as provided in the act. Extension conditions include:

(1) granting extensions not exceeding 12 months up to a maximum extension period of 60 months;
(2) submitting any revised plans, engineering reports, and specifications to TDEC for approval; and
(3) the construction of land application decentralized wastewater systems must be completed within 60 months or new plans, engineering reports, and specifications for must be submitted to TDEC for approval.

Second, the act provides that TDEC shall not issue a new or modify an existing state operating permit for a decentralized wastewater system if TDEC finds the applicant is not in substantial compliance with TDEC orders.

Third, the act permits the developer of a new subdivision to obtain approval of the design and construction of a new a wastewater treatment and collection system for the subdivision directly from TDEC without the consent of the local wastewater utility in whose service area the subdivision will be located. Once TDEC approval has been obtained, the act provides the following.

- The local wastewater utility may agree to assume ownership and responsibility for the TDEC approved system within 30 days of the developer's application for wastewater service from the utility.
- If the utility refuses to take over the developer-designed wastewater system or does not act upon the developer's application within 30 days, the developer may contract with another utility to own and operate the wastewater system for the new subdivision.
- The utility may still seek to assume ownership of the wastewater system for up to 2 years after initially refusing to take over the system by entering into a contract with the developer and the other utility which agreed to own and operate the system.
- The local government in which the new subdivision is located may require the developer to file a performance bond for 100% of the total replacement cost of the system for two years after the system begins operating.
- The local government may require the utility operating the system to file a performance bond for 50% of the replacement cost of the system for years 3-10 after the system begins operating.

- If the utility owning and operating the developer-designed wastewater system for the subdivision seeks to transfer the system to another utility, the transferring utility and/or the developer must ensure the system is in compliance with all TDEC regulations.
- The portion of this new act which permits a developer to design and get approval of a new wastewater system for its subdivision does not apply in Hamilton County.

Bill Number: SB564/HB803
Effective Date: July 1, 2026

Public Chapter 952 – Revises utility district consolidation procedures, clarifies continuing education requirements for utility governing body members, authorizes certain nonprofit property owner associations to incorporate as utility districts, and makes other minor changes to TBOUR regulated utilities

This act was introduced by the Comptroller and makes several revisions to current law governing utilities subject to the jurisdiction of TBOUR. These revisions include the following.

- Clarifies the procedures by which a utility district can merge with another utility district or consolidate with a municipal utility, county utility, or utility authority.
- Brings the initial training and continuing education requirements for the governing board members of utilities subject to TBOUR jurisdiction into a single statute.
- Imposes the same enforcement provisions and penalties for failure to obtain initial training or continuing education for all utilities subject to TBOUR jurisdiction which previously only applied to board members of utility districts.
- Provides that utility districts will keep their audits as a permanent record, will permit customers to inspect them upon request, and will provide copies to the press upon request.
- Deletes the requirement that a utility district's audit be filed with the county mayor or mayors in each county where the utility district is created.
- Provides that judicial review of a TBOUR decision made after an informal hearing will be the same as a contested case under the Tennessee Administrative Procedures Act.
- Provides an exemption from TBOUR jurisdiction for a utility which only provides wholesale water service or treats wastewater for wholesale use only (or with a minimum amount of retail service) unless the utility has a deficit net position, a deficit unrestricted new position, or is in default on any debt.
- Provides that any new utility which seeks to only provides wholesale water service or to treat wastewater for wholesale use only must obtain approval from TBOUR before beginning operation.
- Clarifies that a utility which becomes financially distressed is considered to remain financially distressed until TBOUR issues an order closing the utility's financially distressed case or the utility does not meet the definition of being financially distressed for two consecutive years and has not been on the agenda of a TBOUR meeting during these two consecutive years for any reason.
- Clarifies and revises the current TBOUR procedures for ordering the consolidation of utility systems, including TBOUR's approval of qualified experts to perform feasibility studies, allowing the TBOUR staff to conduct a feasibility study, and establishing minimum factors a feasibility study must include.
- Permits the governing board member of a TBOUR regulated utility, other than elected officials, who become ineligible to serve due to failure to timely get initial training or continuing education to reinstate his or eligibility to serve by filing a petition with the TBOUR.
- Permits utilities subject to TBOUR jurisdiction to make internal loans under procedures and guidelines established by the Comptroller.
- Permits certain nonprofit property owner associations which operate water or sewer systems to be designated as utility districts and become subject to regulation by TBOUR.

Bill Number: SB1595/HB1673
Effective Date: July 1, 2026

Public Chapter 994 – Regulatory Freedom Act of 2026 - reforms administrative rulemaking by requiring trade-association notice, fiscal impact statements, and legislative approval for rules with negative fiscal impacts exceeding 1 million dollars over five years

This act, dubbed the "Regulatory Freedom Act of 2026," amends Tennessee's Uniform Administrative Procedures Act (UAPA), to impose new fiscal-impact and legislative-approval requirements on state agency rulemaking that affects the "regulated community." The "regulated community" is generally defined as private industries, trades, businesses, and individuals in engaged in commercial activity and generally excludes utility districts or local government utilities. The revisions implemented include the following:

- Requires state agencies to prominently publish the rule on its homepage during a 45-day notice period and make a good-faith effort to email affected trade associations at least 45 days before the public hearing, inviting comment to inform a fiscal impact statement.
- Requires agencies to generate a fiscal impact statement—an estimate of actual compliance costs, excluding speculative or hypothetical costs—for any rule anticipated to have a negative fiscal impact, but only after the public hearing. Agencies must document outreach to affected industries, may not split rules to evade monetary caps, and must notify the Governor, Speakers, and Government Operations chairs if the cap is exceeded.
- Provides that if a fiscal impact statement estimates negative impact exceeding $1 million over five years (one year for emergency rules), the rule becomes effective only upon majority approval of both chambers as a stand-alone measure. Section 5 adds emergency-rule deadlines and expiration triggers.
- Carves out any regulation that is subject to or is implementing a federal mandate or licensing program.

Given TBOUR generally regulates governmental entities, no TBOUR rules will be affected. TDEC on the other hand will come under the new rules for its non-federally administered programs, which includes its ARAP and SOP programs.

Bill Number: SB2199/HB1913
Effective Date: January 1, 2027

Public Chapter 1028 – Authorizes political subdivisions to cost-share with developers for offsite public infrastructure, but, as written does not include utility districts or utility authorities

When a political subdivision with planning authority to approve new developments requires offsite public infrastructure improvements as a part of approval of a new development, this act allows the local government to require the developer to construct the offsite improvements provided they enter into a cost-sharing agreement for the construction of the offsite improvements. The local government must determine whether it is going to require the developer to construct offsite public infrastructure improvements within 60 days of the developer's request for approval of the new development. The cost-sharing arrangement must be based upon "the proportionate utilization or impact the development for which approval is sought from the political subdivision has on public infrastructure." Public infrastructure means "roads, streets, traffic signals, turn lanes, sidewalks, lighting, stormwater improvements, and utilities, including water, wastewater, electric, gas, and broadband, that will be dedicated to one (1) or more public entities." Political subdivision is defined as "a county, municipality, or metropolitan government." Therefore, the act does not appear to apply to offsite utility infrastructure improvements required by a utility district or utility authority for a new development. However, read as a whole, TAUD suspects the bill sponsor may have intended the cost-sharing arrangement apply to any offsite utility infrastructure required by a government-owned public utility, but the act as enacted is limited to counties, municipalities, and metropolitan governments.

Bill Number: SB2191/HB2386
Effective Date: May 19, 2026

Public Chapter 1044 – Requires local governments to respond to development applications within set timeframes (deemed approved if missed), but, as written does not apply to utility districts or utility authorities

This act imposes mandatory review timeframes on a local government's review of development plans and site plan inspections and imposes deadlines for local governments to streamline the release of completion bonds. It applies to "local governments" defined as a municipality, county, or a county with a metropolitan form of government which has the power to review development plans and site plans. By definition, the act excludes utility districts and utility authorities so these mandates would not apply to their review of applications and plans for utility service. It specifically imposes the following requirements:

- When a developer submits a development application, development plan, or site inspection for developing real property, the local government must, within 60 business days, either approve it or place it on the next planning-commission or governing-body agenda; or, within 30 business days, either issue a written deficiency report (consolidating change requests into a single deliverable where possible) or request additional information needed for compliance. Failure to act in time means the submission is deemed approved.
- After a developer cures deficiencies, the local government has 30 business days to approve or place items on the next agenda. No more than two deficiency reports may be issued. If second-report deficiencies remain unresolved, the local government must either deny the plan (with written, evidence-based justification and a 50% fee refund) or conditionally approve/agendize the plan for conditional approval.
- An incomplete initial submission requires written notice within 30 business days, which is not a deficiency report.
- Once an engineer's independent inspection certifies completion, the local government must within 120 business days approve or agendize the release, or within 20 business days respond in writing specifying incomplete work

The Act takes effect on January 1, 2027.

Although the act does not apply to utility districts and utility authorities, in cities or counties where development plan approval hinges on availability of utility letters, these utilities can anticipate more pressure from planning commissions to promptly provide this information since there is no tolling or suspension of the applicable time periods for awaiting approval letters.

Bill Number: SB2237/HB2552
Effective Date: January 1, 2027

Public Chapter 1048 – Authorizes governing bodies to hold executive sessions when interviewing director-level employment applicants while requiring all deliberation and decisions to occur in open meetings

This act creates a new right for utilities to conduct interviews of key senior officials in executive session which excludes the public under the Tennessee Open Meetings Act (the Sunshine Law). The utility's governing body, including a utility district board, a utility authority board, or a municipal utility board or county utility board with power to hire senior officials, may hold an executive session for the limited purpose of interviewing applicants for employment in director-level staff positions. These executive sessions are subject to six conditions.

- First, no public notice of the executive session is required.
- Second, the governing body may not make hiring decisions or deliberate during the session; all deliberation and voting must occur in an open, publicly noticed meeting.
- Third, the minutes of the executive session must disclose everyone in attendance, except the applicants being interviewed.
- Fourth, attendance is limited to members of the governing body, relevant staff the body invites, and the applicants themselves.
- Fifth, an applicant's application materials must be kept confidential and shielded from public inspection upon the applicant's request.

- Sixth, once an applicant is selected for employment or appointment, that person's application materials and any recording of the interview become public records subject to a request under the Open Records Act; however, the materials and interviews of applicants who were not selected remain confidential upon request by the applicant.

A "director-level" is defined as a position that (1) is filled by the mayor, by a vote of the governing body, or by the mayor with the governing body's confirmation—expressly excluding the chief of police—and (2) carries authority over the operation and employees of a department, agency, or division of the governmental entity. For utility districts this will cover hiring of general managers, and for utility authorities it would cover the hiring of superintendents. When a municipal utility system or county utility system has a separate utility board with power to operate the utility system, this will cover the chief executive of the utility system hired by the separate utility board.

Bill Number: SB2162/HB2616
Effective Date: May 21, 2026

Public Chapter 1055 – Authorization for access to assess and replace private water lines behind the water utility meter

This act permits a water utility to assess, renew, or replace a customer-owned service line behind the utility's meter when deemed necessary to address lead service lines or galvanized lines requiring replacement provided the property owner consents and agrees to hold the water utility harmless for the work.

Bill Number: SB639/HB1259
Effective Date: July 1, 2026

Public Chapter 1083 – Requires state and local government executive heads and public higher-education institutions to annually certify compliance with prohibitions on DEI preferences

This act requires the executive heads of state departments and agencies, county governments, municipal governments, metropolitan governments, and public institutions of higher education to sign and submit to the Tennessee Comptroller annual attestations that the governmental entity has not used "a discriminatory preference in an effort to increase diversity, equity, or inclusion or establish or maintain an office, division, or department for such purposes." The first annual attestation must be submitted no later than January 1, 2027, and subsequent annual attestations must be submitted each January thereafter. As enacted this annual attestation requirement does not appear to apply to utility districts or utility authorities.

Bill Number: SB1713/HB1664
Effective Date: May 22, 2026

Public Chapter 1090 – Allows certain counties to restrict municipal or regional zoning authority beyond municipal boundaries.

This act prevents a municipality or regional planning commission from adopting a zoning plan, ordinance, rule, or regional zoning ordinance that exercises jurisdiction over zoning—including development, infrastructure, or land use—outside municipal boundaries when the county adopts a resolution by majority vote of the county legislative body preventing such authority.

To address projects already underway, the county and municipality may enter an interlocal or other agreement to complete or wind down development, infrastructure, or land use obligations in progress before the resolution; a developer may join such an agreement with the consent of both governing bodies.

The Act applies only to counties with a population under 341,500 (per the 2020 or a later federal census) and expressly excludes counties with a metropolitan form of government (e.g., Davidson County).

The Act also creates an annexation-declaration mechanism. In an adopting county, anyone submitting a preliminary plat, final plat, site plan, or building permit application for property outside the municipal boundary but within the municipality's urban growth boundary must declare whether they seek annexation. If annexation is sought, the property must be developed to applicable municipal standards. If not, the county records the declaration with the register of deeds, and the property becomes ineligible for annexation until the owner (or a future owner) agrees to pay a special assessment bringing the property to municipal infrastructure standards—an agreement that must likewise be recorded.

Bill Number: SB1771/HB1720
Effective Date: May 22, 2026

Public Chapter 1113 – Obligation to provide wastewater service to property owner

In 2025, the legislature passed a statute which provided that a wastewater utility subject to the jurisdiction of the TBOUR must provide a new connection to a property owner for service upon request when the owner has "an existing gravity sewer line located on the owner's property." This act amended this 2025 statute to provide that the wastewater utility must provide a new connection for service upon request when the owner has "an existing gravity sewer line located on or adjacent to the owner's real property within the street right-of-way, public access easement, or public utility easement" or "has an existing sewer force main located on or adjacent to the owner's real property that can be accessed using technology designed for such an application." If the wastewater utility refuses to provide service, the statute still gives the owner the right to file a complaint with TBOUR to review the refusal to serve.

Bill Number: SB2057/HB2385
Effective Date: May 22, 2026

Public Chapter 1122 – Installation of utility infrastructure by private contractors

This act amends legislation passed in 2025 governing the ability of a developer to hire its own contractor to install utility infrastructure for new subdivisions and developments and the parameters for such construction. This act amends this legislation set forth in Title 7, Chapter 51, Part 27 of Tennessee Code Annotated as follows.

- If materials needed for the developer's contractor to install needed utility infrastructure are only available from the utility, the utility will only pass through the cost of the materials at the same price the utility paid and will not require the developer to pay taxes on such materials. The utility must provide the developer or its approved contractor with an itemized statement of the cost of the materials.
- The utility cannot require the developer or its approved contractor to install street lights for the subdivision or development.
- When the utility does not normally prepare plans for utility infrastructure for a new subdivision or development, the utility can charge the developer no more than 10% of the proposed cost of the construction of the utility infrastructure for the subdivision or development for both its review of the plans prepared by the developer and its inspection of the construction by the developer's approved contractor.

Bill Number: SB2213/HB2381
Effective Date: July 1, 2026

Public Chapter 1137 – TACIR to Study Public Notice By Newspaper

This act mandates a study be performed by the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to public notice requirements for state government, local governments, and other political subdivisions in Tennessee. TACIR is directed to:

(1) Conduct a study to determine if newspapers of general circulation remain the most efficient and effective manner for governments to provide the public with transparent and accessible information;
(2) Study how the public has historically obtained its news and information compared to today;
(3) Examine the ability of local government entities to create public notice systems;
(4) Review the costs associated with government entities maintaining online public notice platforms;
(5) Review all governmental and public entities' notice requirements and practices to determine how much taxpayer money is used to meet newspaper publication requirements and examine if citizens should be required to pay a subscription fee to access information that is intended to provide notice and transparency of government actions;
(6) Review public notice practices in other states and any available trends or advances in technology; and
(7) Consult with interested parties regarding the subject of the study, which must include local governments, newspaper publishers, the Tennessee Press Association, representatives from rural communities, government entities in other states that publish notices online, and open government advocates.

TACIR is directed to report its findings and recommendations, including any proposed legislation to the General Assembly.

All local governments and political subdivisions in Tennessee, including utility districts and utility authorities, must comply with TACIR's request for information as a part of its study.

Bill Number: SB2450/HB2114
Effective Date: May 22, 2026