

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1478 – SB 1152

April 25, 2011

**SUMMARY OF AMENDMENT (006437):** Deletes the original bill. Requires the Comptroller of the Treasury to send written notice, upon identification of nonconforming debt obligations, to the chief executive and chief financial officers of the affected local government. Requires local governments to respond to notices within 10 days either acknowledging nonconformance or disputing alleged nonconformance with a request for reconsideration. Requires the Comptroller to respond to the local government within 10 days either accepting or rejecting plans to bring debt obligations into conformity; extending additional time to make corrective actions; or accepting or rejecting the disputation. Upon rejection of disputation, the Comptroller is required to restate the necessary corrective action. Requires the Comptroller, at the conclusion of the time period established for corrective action, to determine if such actions have been satisfactorily completed. Requires the Comptroller to notify local governments of nonconformance and penalties that may be assessed. Authorizes the State Funding Board to develop and adopt guidelines identifying classifications of nonconformity and levying penalties.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$45,000  
Increase State Expenditures – Not Significant  
  
Increase Local Expenditures – \$45,000\*

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Revenue – Exceeds \$10,000**  
**Increase State Expenditures – Not Significant**

**Increase Local Expenditures – Exceeds \$10,000\***

Assumptions applied to amendment:

- Based on information previously provided by the Comptroller, there were approximately 20 cases of serious nonconformity in 2010.
- The total number of cases that will not be brought into conformity following notification and recommendations by the Comptroller is unknown.

**HB 1478 – SB 1152**

- According to the Comptroller, penalties may require local governments to pay the cost of an employee to review and remediate invalid obligations. Penalties may be in the form of interest paid to the State or a third party.
- According to the Comptroller, the investigation and remediation of invalid debt obligation requires approximately 15 hours of staff time at \$150 per hour.
- Due to multiple unknown factors including the size, nature, and severity of nonconforming obligations and the criteria established to assess such penalties, the total penalties assessed by the Comptroller is unknown but is estimated to exceed \$10,000, resulting in an increase to state revenue exceeding \$10,000 and an increase to local expenditures exceeding \$10,000.
- The Comptroller currently investigates invalid debt obligations. Reporting findings to local governments holding invalid debt will not result in a significant increase to state expenditures.

*\*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.



James W. White, Executive Director

/agl