

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1602 - HB 1771

March 13, 2016

SUMMARY OF BILL: Requires the legislative body of a city that operates a municipal utility and provides electric service in two or more counties, to create two additional positions on the board of the electric utility to represent a county whose residents represent more than 60 percent of the utility's customers and one additional position on the board to represent each unrepresented county in which customers of the utility reside.

Requires the county mayors to recommend a person to fill each new position created on the municipal electric utility board. Requires the legislative body of the city that owns the municipal utility to accept or reject the recommendations at a public meeting by majority vote. Requires each recommended person not accepted or rejected within 30 days following the recommendation be deemed accepted. If rejected, requires the county mayor to recommend another person until the legislative body of the city accepts the recommendation.

Specifies that board members appointed are not considered city council members or employees of the municipality and are ineligible to receive insurance benefits from the municipality. Sets forth the term of board members and how vacancies shall be filled.

If any county represented on a board fails to meet the requirements for representation; then the county's representation on the board will terminate upon the expiration of the last term of such county's board members.

Specifies that the provisions of this legislation are not intended to vacate or terminate the seat of any current member of a board of public utilities appointed pursuant to Tenn. Code Ann. § 7-52-118 prior to the effective date of this legislation.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceed \$189,600/Municipal Utilities*

Assumptions:

- Tenn. Code Ann. § 7-52-118(a) requires a municipal utility providing electric service in multiple counties, of which one county outside of the county in which the principal

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office of the utility is located has in excess of 60 percent of the customers residing, to create two additional board members for each county.

- Municipal utilities, as of July 1, 2011, pay utility board members an allowance up to \$300 per month for attending meetings pursuant to the provisions of Tenn. Code Ann. § 7-52-110(e).
- Although there may be a shift in county representation, the total number of municipal utility board members representing 60 percent of utility users currently and in the future will remain unchanged. One additional board member will be added for each unrepresented county.
- According to a survey conducted by the Tennessee Municipal Electric Power Association, it is estimated 79 new board members will be added to municipal electric utility boards as a result of this legislation.
- Assuming the municipal utility boards meet monthly and that municipal electric utility board members are compensated at least \$200 per meeting, the mandatory increase in local government expenditures to municipal utilities is estimated to exceed \$189,600 (79 x \$200 x 12).

IMPACT TO COMMERCE:

NOT SIGNIFICANT

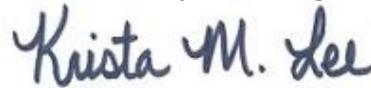
Assumption:

- The provisions of this bill will not impact commerce or jobs in Tennessee.

**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.



Krista M. Lee, Executive Director

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