

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 347 - HB 1123

March 30, 2023

SUMMARY OF BILL: Prohibits a utility district from condemning property outside the service area of the utility.

FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-82-301(a)(1)(A), a utility district is a public corporation and considered a municipality.
- Tennessee Code Annotated § 7-82-305 authorizes utility districts to utilize eminent domain to acquire real property or an easement for the utility district's use; provided that prior public use of the property is not interfered with by the utility district.
- The proposed legislation would prohibit a utility district from condemning property outside of its service area.
- It is not known how many utility districts condemn property outside of their service areas each year, nor how often. The extent and timing of any decrease to local expenditures associated with the acquisition of property cannot be reasonably determined.
- However, restricting a utility district's ability to condemn property outside its service area may lead to instances where a utility district must make a utility system improvement on a site that is less optimal than a property outside of the service area; the result of which may be an increase in building costs as well as an increase in operating costs moving forward.
- It is assumed that utility districts currently condemn properties outside of their service areas when such action is determined to be a more cost-effective solution than improving a site within the service area.
- Therefore, it can be reasonably assumed that any cost savings attributed to prohibiting condemnation of property outside of a utility district's service area would be outweighed by the costs of improving sites on less optimal properties and the recurring operational costs.
- The estimated net impact of such prohibition would be an increase to local expenditures for building and operating costs.
- Pursuant to Tenn. Code Ann. § 7-82-403, utility districts are required to be self-supporting entities.

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- A utility district that experiences an increase in building costs or operation costs will subsequently charge higher rates to its customers in order to remain self-supporting; therefore, any increase in utility district expenditures is considered not significant.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumption:

- Prohibiting a utility district from condemning land outside its service area is not expected to have any significant impact to commerce or jobs in Tennessee.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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