

HOUSE BILL 1695

By Lollar

AN ACT to amend Tennessee Code Annotated, Title 4;
Title 5; Title 6; Title 8, Chapter 4 and Title 9,
relative to financially distressed municipalities.

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

SECTION 1. Tennessee Code Annotated, Section 6-52-301, is amended by adding the following language as a new subsection (c):

(c) If the state funding board classifies a home rule municipality as financially distressed pursuant to § 6-52-305 and such municipality does not comply with its improvement plan, then the noncomplying home rule municipality shall forfeit its charter. If the home rule municipality has outstanding indebtedness at the time of forfeiture, then pursuant to § 6-52-304, the county in which the home rule municipality is located shall levy a special tax upon the property within the boundaries of the former home rule municipality for the purposes of meeting existing indebtedness due, meeting annual or semiannual interest charges on bonded indebtedness, providing any required sinking fund, and paying off all indebtedness when due.

SECTION 2. Tennessee Code Annotated, Title 6, Chapter 52, Part 3, is amended by adding the following language as a new section:

6-52-305.

(a) The comptroller of the treasury or the comptroller's designee shall file with the state funding board a copy of the audited financial statements prepared pursuant to § 6-56-105 of any home rule municipality that is in default on any outstanding indebtedness, that has a deficit total net assets, that has an interfund balance that is a

nonconforming interfund loan, or that has a negative change in net assets or fund balances for a period of two (2) years.

(b)

(1) After reviewing such annual financial report and operations of the home rule municipality, the state funding board may classify the home rule municipality as financially distressed and require it to propose a written improvement plan that properly addresses every area in which it is experiencing fiscal distress.

(2) The financially distressed home rule municipality shall have thirty (30) days from the date of its fiscal distress classification to submit its written improvement plan to the comptroller of the treasury or the comptroller's designee for review.

(3) A representative from the financially distressed home rule municipality and a representative from the office of the comptroller of the treasury shall present the proposed plan to the state funding board, such board meeting being called not later than thirty (30) days from the date the improvement plan was submitted to the office of the comptroller of the treasury for review.

(4) The state funding board shall determine whether the improvement plan is feasible and shall request any necessary changes including any further requirements.

(5) The state funding board shall establish the time period within which the financially distressed home rule municipality will be required to complete the improvement plan and how often it will be required to report on its status to the office of the comptroller of the treasury and the state funding board. The state funding board is authorized to extend the improvement plan time period when such extension is necessary and in the public interest.

(c) A financially distressed home rule municipality may request the state funding board to remove its fiscal distress status only after the comptroller of the treasury or the

comptroller's designee has certified in writing that such municipality has fully complied with its improvement plan including all state funding board recommendations and requirements.

(d) In the event the financially distressed home rule municipality is unable to comply with the improvement plan, the state funding board shall inform the financially distressed home rule municipality in writing that its charter has been forfeited by operation of law pursuant to § 6-52-301(c) and that the county in which it is located shall levy a special tax upon the property within the boundaries of former home rule municipality pursuant to § 6-52-304.

(e) The state funding board is authorized to establish guidelines, rules, or regulations with respect to its oversight of financially distressed home rule cities.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.