

SENATE BILL 539

By Watson

AN ACT to amend Tennessee Code Annotated, Title 7;  
Title 9 and Section 12-10-116, relative to public  
finance.

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

SECTION 1. Tennessee Code Annotated, Section 7-34-111(b), is amended by deleting the subsection and substituting instead the following:

(b) Such notes must be payable not later than five (5) years from the date of the notes, and must be sold in such manner and upon such terms and conditions as may be determined by the governing body, board, or commission issuing the notes. The notes shall not be issued without first being approved by the comptroller of the treasury or the comptroller's designee. If the revenues of such system are insufficient to pay all such notes at maturity, any unpaid notes may be renewed one (1) time for a period not to exceed one (1) year or may be retired with funding bonds issued pursuant to the Cash Basis Law of 1937, compiled in title 9, chapter 11, or may be otherwise liquidated as approved by the comptroller of the treasury or the comptroller's designee.

SECTION 2. Tennessee Code Annotated, Section 7-86-114, is amended by adding the following new subsection:

(h) Any provision of this section related to the review or approval of any bond or note issued by the comptroller of the treasury or the comptroller's designee, or other state agency, does not apply when the bond or bonds or other evidence of indebtedness of the district are to be purchased or the loan is to be made by the farmers home administration or any other direct lending department of the government of the United States.

SECTION 3. Tennessee Code Annotated, Section 9-21-105(4), is amended by deleting the subdivision and substituting instead the following:

(4) "Certain unfunded pension obligations" means pension benefits for past service of employees of a local government whose employment results from the local government's assumption of governmental responsibilities of another local government;

SECTION 4. Tennessee Code Annotated, Section 9-21-105, is amended by deleting subdivisions (21)-(23) and substituting instead the following:

(21)

(A) "Public works project" includes any one (1) or any combination of the following: acquisitions of land for the purpose of providing or preserving open land; airports; alleys; ambulances; auditoriums; bridges; city and town halls; convention and event centers; corrective, detention, and penal facilities, including, but not limited to, jails and transition centers; courthouses; culverts; curbs; dispensaries; drainage systems, including storm water sewers and drains; electric plants and systems; equipment, including vehicles; technology equipment and related software used for local government purposes; expositions; facilities for persons with disabilities; facilities for the indigent; fairgrounds and fairground facilities; fire department equipment and buildings; fire alarm systems; flood control; garbage collection and disposal systems; gas and natural gas systems and storage facilities; greenways; heat plants and systems; harbor and riverfront improvements; health centers and clinics, including medical and mental health centers and clinics; highways; highway and street equipment; hospitals; hotels and supporting or incidental facilities built by local governments that are built adjacent to and as a supporting facility of civic or convention centers located in municipalities that have created a central business improvement district under

the Central Business Improvement District Act of 1971, compiled in title 7, chapter 84; improvements made pursuant to a plan of improvement for a central business improvement district created pursuant to the Central Business Improvement District Act of 1971; law enforcement and emergency services equipment; levees; libraries; markets; memorials; museums; nursing homes; parks; parking facilities; parkways; playgrounds; plazas; port facilities; docks and dock facilities, including any terminal storage and transportation facilities incident thereto; public art; public buildings; preserves; railroads, including the extension of railroads and railway beltlines and switches; reclamation of land; recreation centers and facilities; reservoirs; rights-of-way; river and navigation improvements; roads; schools; transportation equipment for schools; sewers; sewage and waste water systems, including, but not limited to, collection, drainage, treatment, and disposal systems; ship canals; sidewalks; stadiums; streets; swimming pools; thermal transfer generating plants or distribution systems or both; tunnels; viaducts; voting machines; water treatment distribution and storage systems; wharves; and zoos;

(B) "Public works project" also includes:

(i) "Business park," which includes lands and rights, easements and franchises relating thereto, and may include roads and streets, water, sewer, electric and other utilities, landscaping and related elements as required for the orderly development and use of corporate or professional office space by one (1) or more commercial, financial or service business, and such appurtenant land for necessary incidental use. "Business park" does not include a retail operation except for an incidental retail use. A "business park" shall contain not less than five (5) acres of land. The building finance committee in the industrial

development division of the department of economic and community development is authorized and empowered to determine whether a local government shall have the right to engage in any or all of the rights and privileges accompanying such a public works project. Before a local government may undertake the financing of such a public works project, it shall apply to the committee for a certificate of public purpose and necessity. The committee shall issue such a certificate once it is affirmatively determined that:

(a) There are adequate property values and suitable financial conditions so that the total bonded indebtedness of the local government, solely for this authorized purpose and those other purposes authorized by title 7, chapter 55 and title 13, chapter 16, shall not exceed ten percent (10%) of the total assessed valuation of all the property in the local government ascertained by the last completed assessment at the time of the issuance of such bonds; and

(b) The project is well conceived, has a reasonable prospect of success, will provide economic development and employment, will tend to encourage businesses to locate there and will not become a burden upon the taxpayers of the local government;

(ii) "Industrial park," which includes lands, rights, easements and franchises relating thereto, and may include adequate roads and streets, water and sewer facilities, utilities and docks and terminals. Any of the foregoing improvements which are to be located within the geographic

boundaries of the industrial park may only be financed after compliance with title 13, chapter 16, part 2;

(iii) "Urban renewal project" which means the same as such projects which are defined in §§ 13-20-209 -- 13-20-215. Any local government is hereby authorized to contribute money, property, and municipal services to any public agency engaged in the development of urban renewal projects in that local government;

(iv) "Urban transit facility" which includes any or all real and personal property needed to provide public passenger transportation by means of street railway, electric railway, incline railroad, trolley coach, bus, motor coach, or any combination thereof, including terminal, maintenance and storage facility, whether owned and operated by a local government or owned by a local government and leased to private operators, all of which are hereby found and determined to be in the public interest and a proper public purpose;

(v) Facilities for the storage and maintenance of any of the items of equipment which constitute public works projects; and

(vi) Facilities or capital expenditures paid or incurred with respect to property located in a "recovery zone," as defined in § 1400U-1(b) of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 1400U-1(b), that are made for a "qualified economic development purpose," as defined in § 1400U-2(c) of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 1400U-2(c);

(vii) Facilities or expenditures paid or incurred for "qualified conservation purposes," as defined in § 54D(f) of the Internal Revenue

Code of 1986, codified in 26 U.S.C. § 54D(f), in connection with the issuance of "qualified energy conservation bonds," as defined in § 54D of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 54D;

(viii) All property real and personal, appurtenant thereto or connected with any public works project, work or undertaking and the existing public works project, work or undertaking, if any, to which such public works project, work or undertaking is an extension, addition, betterment or improvement; and

(ix) Facilities or capital expenditures paid or incurred with respect to development of affordable housing or workforce housing in a county having a metropolitan form of government with a population of not less than six hundred thousand (600,000), according to the 2010 federal census or any subsequent federal census, including expenditures related to a housing trust fund established in accordance with title 7, chapter 8 or title 13, chapter 23, part 5. For purposes of this subdivision (21)(B)(ix), only local governments within which the affordable or workforce housing is located are authorized to issue debt or borrow money, and in no event, shall the credit of any county, city, or town be given or loaned to or in aid of any person, company, association, or corporation, within the meaning of the Constitution of Tennessee, Article II, § 29, without first complying with the applicable requirements of the Constitution of Tennessee, Article II, § 29;

(C) This enumeration does not exclude any other project for the benefit of the people at large of any local government where any state or federal agency

will match the funds of the local government with grants-in-aid or gratuities to subsidize or assist the development of a public works project;

(D) Notwithstanding subdivision (21)(B)(i), a certificate of public purpose and necessity shall not be required for a public works project of a local government with a population of not less than three hundred thousand (300,000), according to the 2000 federal census or any subsequent federal census. The total pledge of full faith and credit of any such local government related to the project shall not exceed ten percent (10%) of the total assessed valuation of all property in the local government, ascertained by the last completed assessment at the time of issuance of the obligations. In any resolution pledging the full faith and credit and unlimited taxing power of any such local government to secure any obligations related to a public works project, the governing body of the local government shall state that the project being considered is well conceived, has a reasonable prospect for success, will provide proper economic development and employment, and will not likely become a burden on the taxpayers of the local government;

(22) "Refinancing" means funding, refunding, paying, or discharging, by means of refunding bonds or the proceeds received from the sale thereof, all or any part of any bonds, notes, or other obligations heretofore or hereafter issued or lawfully assumed and payable solely from all or any part of the revenues of one (1) or more enterprises, or from a combination of such revenues and taxes, except notes issued in anticipation of bonds;

(23) "Refunding bonds" means bonds issued to refund all or any part of bonds, notes, or other obligations, except notes issued in anticipation of bonds, heretofore or

hereafter issued or lawfully assumed by a local government pursuant to this chapter, or any other provision of this code or any other general or special law;

SECTION 5. Tennessee Code Annotated, Section 9-21-105, is amended by adding the following as a new subdivision (17) and renumbering existing subdivision (17) and remaining subdivisions accordingly:

(17) "Mandated project" means a public works project that a local government is required by a court order or other governmental mandate to construct as determined by the local government with the approval of the comptroller of the treasury or the comptroller's designee;

SECTION 6. Tennessee Code Annotated, Section 9-21-127, is amended by deleting subsection (b).

SECTION 7. Tennessee Code Annotated, Section 9-21-132, is amended by deleting subsections (a) and (b).

SECTION 8. Tennessee Code Annotated, Section 9-21-134, is amended by deleting the section and substituting instead the following:

(a) In addition to the definitions applicable generally to this chapter, the following definitions are applicable to this section only:

(1) "Advisor" means a municipal advisor, financial advisor, swap advisor, or program administrator, with respect to a finance transaction, whether or not such title is used;

(2) "Costs" related to a finance transaction may include, but are not limited to, fees and expenses of advisors, underwriters, placement agents, counterparties, bond and other counsel, paying agents, registrars, trustees, escrow agents, verification agents, credit enhancement and liquidity providers, remarketing and auction agents, rating agencies, publishing, and other similar



fees and expenses, whether or not payable at issuance. "Cost" may include recurring and nonrecurring fees and expenses occurring during the life of the transaction, debt service payments, including interest, and any payments made to a counterparty;

(3) "Event of default" means a default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a financial obligation of a public entity, any of which reflect financial difficulties of the public entity;

(4) "Finance transaction" means a transaction in which a public entity issues, incurs, executes, or assumes a financial obligation;

(5) "Financial obligation" has the same meaning as is given to such term in 17 CFR 240.15c2-12 under the Securities and Exchange Act of 1934 or any successor rule;

(6) "Public entity" means the state, a state agency, a local government, a local government instrumentality, or any other authority, board, district, instrumentality, or entity created by the state, a state agency, local government, a local government instrumentality, or combination thereof;

(7) "Public finance professional" means an advisor, underwriter, placement agent, counterparty, bond counsel, issuer's counsel, or other person or entity advising the public entity with respect to a finance transaction or offering to provide professional services with respect to a finance transaction; and

(8) "State funding board" means the state funding board, created pursuant to chapter 9 of this title.

(b) The state funding board may develop model finance transaction policies for use by public entities, including any exemptions deemed necessary or appropriate from filing requirements.

(c)

(1) The board shall determine the information to be disclosed pursuant to this section, including:

(A) A brief description of the finance transaction;

(B) The issuance, continuing, and one-time costs of the finance transaction;

(C) A brief description of any continuing disclosure obligations with respect to the finance transaction;

(D) A copy of the offering document, if any; and

(E) Such other information and in such manner as may be required by the board.

(2) Not later than forty-five (45) days following the issuance, reissuance, incurrence, execution, or assumption of a finance transaction, the public entity shall submit, or cause to be submitted, the information pursuant to subdivision (c)(1) to the governing body of the public entity, with a copy to the comptroller of the treasury or the comptroller's designee. If an open meeting of the governing body is not scheduled within the forty-five-day period, then the public entity shall give a copy to each member of the body within such period and present the information in subdivision (c)(1) to the body at the next scheduled meeting.

(3) The state funding board shall require public entities to timely comply with continuing disclosure obligations, if applicable, to disclose financial obligations and events of default on the Electronic Municipal Market Access

(EMMA) website of the Municipal Securities Rulemaking Board (MSRB), and for those public entities which are not subject to such MSRB obligations, to disclose any event of default to the comptroller of the treasury or the comptroller's designee within ten (10) business days, in accordance with guidelines approved by the board.

(d) Upon discovery by the public entity of a failure to comply with the requirements of this section, the public entity shall immediately notify the comptroller of the treasury or the comptroller's designee and make a late filing of such information to the EMMA website or the comptroller of the treasury, as applicable. In addition, upon discovery by the comptroller of the treasury or the comptroller's designee of an omission or error or filing failure, the comptroller of the treasury or the comptroller's designee shall notify the public entity of such noncompliance. The public entity shall submit the required information, along with an explanation for the noncompliance, within fifteen (15) days following its discovery or notice by the comptroller of the treasury or the comptroller's designee.

SECTION 9. Tennessee Code Annotated, Section 9-21-205, is amended by deleting the section and substituting instead the following:

(a) Prior to the issuance of general obligation bonds pursuant to this part and part 1 of this chapter, the governing body of the local government shall adopt a resolution (herein referred to as the "initial resolution") determining to issue the general obligation bonds. The resolution must state in substance:

(1) The amount or maximum amount of general obligation bonds to be issued;

(2) The public works project or projects for which the general obligation bonds are to be issued;

(3) The rate or maximum rate of interest which the general obligation bonds are to bear; and

(4) A brief concise statement that the general obligation bonds will be payable:

(A) From ad valorem taxes levied upon all the taxable property in the local government or a portion of the local government, if applicable, and, if the latter, then a brief statement or description of such portion of the local government;

(B) From revenues and, in the event of a deficiency in such revenues, from taxes; or

(C) From taxes, and additionally secured by a pledge of revenues.

(b) Notwithstanding subsection (a), the governing body of the local government is not required to adopt an initial resolution for general obligation bonds if the public works project for which the bonds are being issued is a mandated project, and the governing body of a county is not required to adopt an initial resolution for general obligation bonds if the public works project for which the bonds are being issued is a school project.

SECTION 10. Tennessee Code Annotated, Section 9-21-408, is amended by deleting the section and substituting instead the following:

(a) Local governments may make internal loans in accordance with procedures for issuance of notes or bonds in part 5, 6, 7, or 8 of this chapter.

(b) Local governments may make internal loans in accordance with the procedures of § 9-21-604(b) of all funds derived from the sale of any Tennessee private act hospital established pursuant to private acts of the state and the Private Act Hospital

Authority Act of 1996, compiled in title 7, chapter 57, part 6. This section does not authorize the expenditure of funds derived from the sale of a private act hospital for any purpose contrary to law or applicable court order.

(c) Guidelines for internal loans for the purposes of this section must be provided by the comptroller of the treasury or the comptroller's designee as authorized in § 4-3-305.

(d) Local governments that internally lend restricted monies shall ensure interest is paid for the use of internal monies. At a minimum, the interest rate must be the highest rate currently being earned on other investments, excluding pension investments. If there are no applicable investments, the interest rate must be the amount that could be earned for deposits in the local government investment pool administered by the state department of treasury.

SECTION 11. Tennessee Code Annotated, Section 9-21-601, is amended by deleting the section and substituting instead the following:

(a) The governing body of a local government acting by resolution may issue and sell interest-bearing capital outlay notes for all purposes for which bonds can be legally authorized and issued by a local government for public works projects as defined in § 9-21-105 and for property valuation, tax assessment, and tax equalization programs.

(b)

(1) The sale of all interest-bearing capital outlay notes must first be approved by the comptroller of the treasury or the comptroller's designee. In order to obtain such approval, the local government shall submit to the comptroller of the treasury or the comptroller's designee a copy of the proposed resolution or resolution authorizing the notes; a copy of the proposed disclosure statement, if any; a statement showing the estimated annual principal and

interest requirements for the notes; a detailed statement showing the estimated cost of issuance, which must include all amounts that the local government would be required to report under § 9-21-134; and a list of the projects to be financed together with any other information deemed pertinent to the note issue by the local government. Based upon the information submitted and any additional information deemed pertinent by the local government, the local government shall state and demonstrate in its request for approval that the proposed sale is feasible, that the proposed sale is in the best interest of the local government, and that the local government is able to amortize the proposed indebtedness, together with all other obligations of the local government then outstanding.

(2) The state funding board may establish guidelines to assist the comptroller of the treasury or the comptroller's designee in reviewing applications submitted by the local government. The guidelines, if any, must be made available to the local government upon request to the comptroller of the treasury or the comptroller's designee.

(3) The comptroller of the treasury or the comptroller's designee shall notify the governing body of the local government of the comptroller of the treasury's or the comptroller's designee's approval or disapproval within ten (10) days from the date that all required information is received by the comptroller of the treasury or the comptroller's designee. If the comptroller of the treasury or the comptroller's designee approves a sale for the capital outlay notes or if the comptroller of the treasury or the comptroller's designee fails to act within such time, then the local government may proceed to sell the notes in that manner.

(4) In determining whether to approve the sale of capital outlay notes, the comptroller of the treasury or the comptroller's designee shall consider whether

the issuance of the capital outlay notes, as compared to the issuance of general obligation bonds, is in the best interest of the local government. The comptroller or the comptroller's designee shall not approve the sale of any capital outlay notes if the comptroller or the comptroller's designee determines that the reasonably expected weighted average life of the public works project proposed to be financed materially exceeds the weighted average maturity of the capital outlay notes proposed to be issued and that the public works project should be financed with general obligation bonds.

SECTION 12. Tennessee Code Annotated, Section 9-21-602, is amended by deleting the section and substituting instead the following:

(a) Capital outlay notes must be sold for not less than ninety-nine percent (99%) of the par value thereof and accrued interest as the governing body of the local government may direct. Capital outlay notes may be sold in one (1) or more series; may bear such date or dates; may bear interest at such rate or rates, which may vary from time to time; may be payable at such time or times; may be in such denomination or denominations; may be in such form, either coupon or registered; may be payable at such place or places; may be executed in such manner; may be payable in such medium of payment; may be subject to such terms of redemption, without a premium or, for notes sold for not less than the par value thereof and accrued interest, without or with a premium of not exceeding one percent (1%) of the principal amount thereof, all as may be provided by resolution of the governing body of the local government.

(b) The weighted average maturity of capital outlay notes issued pursuant to this part and parts 1 and 4 of this chapter must not exceed the reasonably expected weighted average life of the project being financed as stated in the resolution authorizing

the capital outlay notes. An erroneous estimate of the reasonably expected weighted average life of the project must in no way affect the validity of such notes.

SECTION 13. Tennessee Code Annotated, Section 9-21-604, is amended by deleting the section and substituting instead the following:

(a)

(1) Capital outlay notes issued pursuant to this section may be issued for a period not to exceed the end of the twelfth fiscal year following the fiscal year in which the notes were issued. The repayment must be in a manner that:

(A) An equal amount of principal is paid in each fiscal year that the capital outlay notes are outstanding after the first fiscal year in which the notes are issued;

(B) Level debt service, as described in subdivision (a)(2), is paid in each fiscal year that the capital outlay notes are outstanding after the first fiscal year in which the notes are issued; or

(C) The debt service is paid on the capital outlay notes as approved by the comptroller or the comptroller's designee.

(2) The resolution authorizing any such issue of notes must provide for the principal of the notes to be paid consistent with the requirements of subdivision (a)(1), either by maturity or by mandatory redemption. The resolution authorizing such notes may provide that the notes must be subject to redemption prior to maturity at the option of the local government. Debt service payable with respect to capital outlay notes is level as long as the debt service payable in any fiscal year other than the fiscal year in which the notes are issued does not exceed the average debt service payable in each fiscal year other than the fiscal year in which the notes are issued by more than five percent (5%).



(b) Capital outlay notes issued from funds derived from the sale of any Tennessee private act hospital may be issued for a period not to exceed the end of the twentieth fiscal year following the fiscal year in which the notes were issued, with the approval of the comptroller of the treasury or the comptroller's designee. Each fiscal year that any such notes are outstanding following the fiscal year in which notes are issued, the local government must retire a portion thereof equal to not less than one-twentieth (1/20) of the original principal amount of the notes. The resolution authorizing any such issue of notes must provide for the principal of the notes to be payable annually, either by maturity or by mandatory redemption. The resolution authorizing such notes may provide that the notes must be subject to redemption prior to maturity at the option of the local government. The comptroller of the treasury or the comptroller's designee, in approving any such notes, may waive the requirement of periodic retirement.

SECTION 14. Tennessee Code Annotated, Section 9-21-605, is amended by deleting the section.

SECTION 15. Tennessee Code Annotated, Section 9-21-606, is amended by deleting the section and substituting instead the following:

Capital outlay notes may be refunded with general obligation refunding bonds as provided in part 9 of this chapter; provided, however, that if the final maturity of the refunding bonds exceeds the final maturity of the capital outlay notes being refunded, then an initial resolution authorizing general obligation refunding bonds must be adopted in conformance with § 9-21-205 and must conform to § 9-21-206 requiring publication of the resolution and the notice therein required. Sections 9-21-207 and 9-21-209 – 9-21-212, governing election requirements and procedures, and § 9-21-215, governing the adoption of a tax resolution by the governing body of the local government, also apply.

SECTION 16. Tennessee Code Annotated, Section 9-21-607, is amended by deleting the section and substituting instead the following:

Capital outlay notes that mature not later than the third fiscal year after the fiscal year in which the notes are issued may be sold in such manner either at a competitive public sale or at a private negotiated sale as the governing body of the local government may direct. Capital outlay notes issued solely for the acquisition of a fee simple absolute interest in land to the seller of such land or such seller's designee and that are issued for a period not to exceed the end of the tenth fiscal year following the fiscal year in which the notes were issued may be sold by private negotiated sale. Capital outlay notes issued for a period greater than the end of the third fiscal year following the fiscal year in which the notes were issued, but not greater than the end of the twelfth fiscal year following the fiscal year in which the notes were issued with a principal amount not in excess of five million dollars (\$5,000,000) must be sold at competitive public sale or by the informal bid process described in § 9-21-609. Capital outlay notes issued for a period greater than the end of the third fiscal year following the fiscal year in which the notes were issued, but not greater than the end of the twelfth fiscal year following the fiscal year in which the notes were issued with a principal amount in excess of five million dollars (\$5,000,000) must be sold at competitive public sale. For purposes of this part, a competitive public sale must be undertaken in the same manner as a competitive public sale is undertaken for general obligation bonds under part 2 of this chapter; provided, however, that if the principal amount of capital outlay notes to be sold is not greater than five million dollars (\$5,000,000) then the notice of sale may be published solely in a newspaper having general circulation in the local government.

SECTION 17. Tennessee Code Annotated, Section 9-21-608, is amended by deleting the section.

SECTION 18. Tennessee Code Annotated, Section 9-21-609, is amended by deleting the section and substituting instead the following:

If capital outlay notes are authorized to be sold by an informal bid process, the local government or its municipal advisor shall contact at least three (3) financial institutions by telephone or letter to request such financial institutions to provide a rate or rates of interest for the term or terms of such notes. If the informal bid process is used, the local government shall provide the comptroller of the treasury or the comptroller's designee a summary of the rate quotes received from financial institutions with its request for approval of the sale of the capital outlay notes. Any recurring fees that will be included as part of the interest rate over and above the bank rate must be identified.

SECTION 19. Tennessee Code Annotated, Section 9-21-610, is amended by deleting the section.

SECTION 20. Tennessee Code Annotated, Section 9-21-612, is amended by deleting the section and substituting instead the following:

Capital outlay notes issued pursuant to this part may be refunded by issuing capital outlay notes under this part, in accordance with the requirements and procedures set forth in this part and in §§ 9-21-903, 9-21-904, 9-21-910, 9-21-912, 9-21-913, and 9-21-914. The final maturity date of the refunding notes must not be later than the final maturity date of the notes being refunded, unless otherwise approved by the comptroller of the treasury or the comptroller's designee.

SECTION 21. Tennessee Code Annotated, Section 9-21-901, is amended by adding the following new subsection:

(e) For purposes of this chapter, the modification of an outstanding obligation must be deemed a refunding of the modified obligation, and such refunding must be required to comply with this chapter, if the modification is of such significance that the

obligation would be deemed to be reissued for federal tax law purposes, whether or not the outstanding obligation is tax-exempt for purposes of federal tax laws.

SECTION 22. Tennessee Code Annotated, Section 9-21-1001(b), is amended by deleting the subsection and substituting instead the following:

(b) Revenue refunding bonds shall not be issued under this part and part 1 of this chapter, unless the governing body of the local government makes a finding, which finding shall be conclusive, that one (1) or more of the following purposes will be accomplished:

- (1) Cost savings to the public;
- (2) Removal or modification of one (1) or more restrictive covenants;
- (3) Elimination or mitigation of risk due to interest rate changes; or
- (4) Payment or discharge of all or any part of an issue or series of outstanding obligations, including any interest thereon, in arrears or to become due and for the payment of which sufficient funds are not available.

SECTION 23. Tennessee Code Annotated, Section 12-10-116(b), is amended by deleting the last sentence, which reads as follows:

Any lease, loan agreement, sales contract or operating contract described in this chapter may be entered into for the purpose of converting capital outlay notes to a loan as provided in § 9-21-606(b) and § 9-21-610; provided, that no capital outlay notes shall be converted to a loan agreement later than two (2) years following the date of original issuance of such notes without the approval of the comptroller of the treasury or the comptroller's designee.

SECTION 24. This act takes effect upon becoming a law, the public welfare requiring it.