

# Legislative Update

Jason E. Mumpower  
*Comptroller of the Treasury*

September 30, 2021

TENNESSEE COMPTROLLER OF THE TREASURY





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# Today's Agenda



Legislative Update



Budget Recognition



American Rescue Plan

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# 2021 Legislative Session



# Comptroller's Office Legislation

This year we worked with legislators to pass 14 bills.



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# Certified Municipal Finance Officer

## Public Chapter 533

- Reduces the annual CPE requirement from 24 hours to 16 hours.
- Authorizes municipality to contract with a CPA to act as CMFO.

CMFO and CCFO continuing education requirements are now the same.

# Free CMFO and CCFO CPE

- Knoxville, TN – October 7-8
- Jackson, TN – October 25-26
- Nashville, TN – December 1-2



Topics Include: GASB Updates, American Rescue Plan Funds, Cyber Security, Internal Controls, Budgets, Debt, Audits, and more!

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# Budget Modernization Bill

## Public Chapter 256

- Ensures budgets are submitted on the same basis as required by GAAP.
- Ensures all entities submit budgets to TNCOT for approval.
- Allows TNCOT to establish budgeting guidance manual.

Provides consistency in Tennessee's local government and utility finance laws.

# New Budget Manual

[tncot.cc/budget-manual](http://tncot.cc/budget-manual)

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## TENNESSEE BUDGET MANUAL FOR LOCAL GOVERNMENTS



*Approved by the State Funding Board  
June 2021*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF  
LOCAL GOVERNMENT FINANCE**



# Debt Modernization Bill

## Public Chapter 128

- Provides flexibility by allowing capital outlay notes, including interfund, for a period of up to 12 years.
- Streamlines debt reporting statute.
- Provides consistent Comptroller oversight of short-term notes.

Revises local government finance statutes to be more user-friendly and to better meet modern needs.

# New Debt Manual

[tncot.cc/debt](http://tncot.cc/debt)

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## TENNESSEE DEBT MANUAL FOR LOCAL GOVERNMENTS



*Approved by the State Funding Board  
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# Lease Financing Uniformity Bill

## Public Chapter 196

- Aligns state law with GASB standards which treat lease financing as traditional debt or note issuance.
- Requires Comptroller approval of lease financing agreements.
- TNCOT review will examine if repayment terms are in the public's interest (beginning 2022).

Helps ensure local governments are getting the best deal possible when entering into lease financing agreements.

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# FY 2021-2022 Budget Certificates

# Budget Certificate Criteria

- Budget adopted on or before fiscal year end;
- Budget filed with Comptroller's Office within 15 days of adoption;
- No issues of concern raised during TNCOT budget review; and
- Local government is not currently under the oversight of the WWFB or the UMRB



# Budget Certificate Winners

## Counties

Bedford County

Blount County

Cannon County

Carroll County

Chester County

Coffee County

Dyer County

Fentress County

Gibson County

Giles County

Greene County

Hamblen County

Hamilton County

Hickman County

Houston County

Humphreys County

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# Budget Certificate Winners

## Counties

Jefferson County

Johnson County

Knox County

Lawrence County

Madison County

Marshall County

McMinn County

McNairy County

Trousdale County

Monroe County

Overton County

Pickett County

Roane County

Robertson County

Sevier County

Smith County

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# Budget Certificate Winners

## Counties

Union County

Warren County

White County



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# Budget Certificate Winners

## Cities and Towns

Adams

Alamo

Algood

Ardmore

Arlington

Auburntown

Baileyton

Baxter

Bolivar

Brentwood

Brownsville

Byrdstown

Caryville

Cedar Hill

Centertown

Clarksville

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# Budget Certificate Winners

## Cities and Towns

Collegedale

Columbia

Cookeville

Cornersville

Crossville

Dandridge

Dayton

Dickson

Dover

Eagleville

Elizabethton

Enville

Ethridge

Etowah

Farragut

Forest Hills

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# Budget Certificate Winners

## Cities and Towns

Gallatin

Greenback

Gruetli-Laager

Guys

Henry

Hollow Rock

Jefferson City

Johnson City

Kimball

Kingston Springs

Knoxville

Lafayette

Lakeland

Lakesite

La Vergne

Lebanon

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# Budget Certificate Winners

## Cities and Towns

Lenoir City

Loretto

Loudon

Madisonville

Martin

Maryville

Maynardville

McLemoresville

Medina

Milledgeville

Millington

Monteagle

Morristown

Mountain City

Murfreesboro

New Tazewell

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# Budget Certificate Winners

## Cities and Towns

Newport

Norris

Oak Ridge

Paris

Parkers Crossroads

Pegram

Pittman Center

Plainview

Pleasant View

Pulaski

Ridgetop

Ripley

Rives

Rockford

Saulsbury

Savannah

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# Budget Certificate Winners

## Cities and Towns

Selmer

Sevierville

Shelbyville

Slayden

Smyrna

Springfield

Tazewell

Thompson's Station

Three Way

Townsend

Trenton

Tullahoma

Unicoi

Vonore

Watauga

Westmoreland

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# Budget Certificate Winners

## Cities and Towns

Winfield

White House



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# Budget Certificate Winners

## Utility Districts & Authorities

Cheatham Co. Water & Wastewater Authority

Watauga River Regional Water Authority

Water & Wastewater Authority of Wilson Co.

Water Authority of Dickson County

West Robertson Water Authority

Northeast Knox Utility District

Cagle-Fredonia Utility District

Cordell Hull Utility District

DeWhite Utility District

Fall Creek Falls Utility District

First Utility District of Knox County

Harpeth Valley Utility District

Horton Highway Utility District

O'Connor Utility District

Roane Central Utility District

Smith Utility District

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# Budget Certificate Winners

## Utility Districts & Authorities

West Overton Utility District

West Warren-Viola Utility District

White House Utility District

Knox-Chapman Utility District

South Elizabethton Utility District

Middle Tennessee Natural Gas Utility District

Public Utility District of Jefferson and Cocke

Hixson Utility District

Hornbeak Utility District

Savannah Valley Utility District

Surgoinsville Utility District

Paris Henry Co. Public Utility District

West Wilson Utility District

Arthur-Shawnee Utility District

Bloomingtondale Utility District

Blount Co. Fire Protection District

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# Budget Certificate Winners

## Utility Districts & Authorities

Blountville Utility District

Bon De Croft Utility District

Castalian Springs-Bethpage Utility District

Chuckey Utility District

Cookeville Boat Dock Road Utility District

County Wide Utility District

DeKalb Utility District

East Montgomery Utility District

Eastside Utility District

Elk River Public Utility District

First Utility District of Carter County

Gladeville Utility District

Glen Hills Utility District

Hampton Utility District

Hendersonville Utility District

Humphreys County Utility District

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# Budget Certificate Winners

## Utility Districts & Authorities

Madison Suburban Utility District

North Utility District of Decatur and Benton

Northeast Henry County Utility District

Northwest Dyersburg Utility District

Oak Ridge Utility District

Old Knoxville Highway Utility District

Poplar Grove Utility District

Powell-Clinch Utility District

Reelfoot Lake Regional Utility & Planning

Reelfoot Utility District

Riceville Utility District

Sevier County Utility District

Shady Grove Utility District

South Blount County Utility District

Sylvia-Tennessee City-Pond Utility District

Tuckaleechee Utility District

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# Budget Certificate Winners

## Utility Districts & Authorities

West Knox Utility District

Claiborne Utilities District

Huntsville Utility District

Center Grove-Winchester Springs Utility District

Mallory Valley Utility District

North Utility District of Rhea County



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# Seven Keys

[tncot.cc/7keys](http://tncot.cc/7keys)

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DIVISION OF LOCAL GOVERNMENT FINANCE

## SEVEN KEYS TO A FISCALLY WELL-MANAGED GOVERNMENT

For more information, visit [tncot.cc/7keys](http://tncot.cc/7keys)

### BUILDING A STRONG BUDGET FOR A RESILIENT GOVERNMENT

**Structurally Balanced Budget** – A budget is structurally balanced when recurring revenues are sufficient to pay recurring expenditures. Recurring revenues can be relied on every year (property taxes, sales taxes, wheel taxes). Recurring expenditures are those required for normal governmental operations (debt payments, salaries, pension payments). Using overly optimistic revenue projections or underestimating expenditures, as well as relying on one-time revenue from selling assets, restructuring debt, spending savings, or deferring maintenance indicate the budget is not structurally balanced. [TCA § 9-21-403]



**Cash Flow Management** – A local government's ability to track how much revenue is coming into the government and how much is going out is vital to its fiscal health. Local governments that rely heavily on property taxes will need larger cash reserves to fund governmental services until tax revenue is received. Prior to its adoption, the budget must contain adequate revenues along with cash on hand to fund the government throughout the year. In addition, local governments need to have plans in place if additional sources of liquidity either internally (interfund tax anticipation note "TAN") or externally (bank issued TAN) prove to be necessary. [TCA § 9-21-801]



**Forecasting Budgetary Amounts** – Mechanisms for forecasting revenues and expenditures that consider economic trends and growth rates provide for reliable revenue estimates.



Local governments that do not routinely forecast budgetary amounts may find revenues overstated and expenditures understated. [TCA § 9-21-403]

### PLANNING FOR UNKNOWNNS

**Rainy Day Reserve** – Beyond liquidity management, local governments need to have reserves for unforeseen events like natural disasters or economic downturns. A government that creates a rainy-day fund should at times expect to use the reserves, but also have a policy for replacing the funds.



**Contingency Spending Plans** – Knowledge of what part of a budget is discretionary and can be legally and practically cut is necessary for dealing with unforeseen circumstances. If an event decreases a significant revenue source or increases spending during a year and revenues cannot be adjusted quickly then cuts to expenditures are necessary. Prior planning as to what cuts will be made will expedite the recovery.

### PLANNING FOR TOMORROW

**Long-Term Liability Planning** – Debt, pension, and OPEB payments are set amounts in the annual budget. The larger these payments are, the less ability the governing body has to make changes to the budget. Ongoing decisions of whether to issue additional debt or to make changes to benefits have a direct budgetary impact that must be considered. When the repayment of long-term liabilities comprise a large percentage of the budget, consistent management of the government's obligations is essential.



**Multi-Year Financial Planning** – Having a plan that considers the long-term affordability of programs or projects before they become an item in the annual budget is crucial. Assets will need to be replaced, maintenance performed, and programs expanded; advanced planning of these items will help ensure the funding is available in the future.

# Public Records and Open Meetings Training

- Thursday, October 7 – 1pm – 3pm (CDT)
- Tuesday, October 12 – 1pm – 3pm (CDT)
- Wednesday, October 20 – 1pm – 3pm (CDT)

Free Training, 100% Virtual,  
CMFO and CCFO credit eligible

RSVP to [Haley.Engle@cot.tn.gov](mailto:Haley.Engle@cot.tn.gov)



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# A BILL

for reconciliation pursuant to  
Res. 5.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled

**American Rescue Plan**

## SECTION 1. SHORT TITLE.

This Act may be cited as the "American Rescue Plan Act of 2021".

## The American Rescue Plan







# ARP Money in Tennessee

- \$2.28 billion for Cities and Counties
- \$2.24 billion for Local Education Agencies (ESSER 3.0)
- \$3.725 billion for the State of Tennessee

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# City and County Spending Eligibility

- Support public health and public safety expenditures
- Address negative economic impacts caused by the public health emergency
- Replace lost public sector revenue
- Provide premium pay to essential workers
- Provide Equity-Based Services
- And...

# Water, Sewer, and Broadband



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# Water and Sewer State Grants

State of Tennessee is setting aside  
\$1.35 billion for Water and Sewer

- Most of this money will be available for local project grants
- Grants will require a formula-based, local match of ARP money

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# Broadband Grants

State of Tennessee is setting aside  
\$500 million for Broadband

- \$400 million available for provider grants in unserved locations
- \$100 million to help households cover expenses, provide community connectivity, free public wi-fi in targeted areas, etc.
- Local match can vary based on community needs
- Application begins in Fall 2021; Awards in Spring 2022

# A Word of Caution

No expenditures should be made before you are certain that the use of the funds comply with the provisions of the American Rescue Plan.

Unused funds or funds deemed to have been used inappropriately must be returned to the U.S. Treasury.

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# A Few Reminders...

- Maintain ARP funds separately
- Keep detailed documentation
- Use these funds for one-time, nonrecurring expenses
- Keep up with reporting requirements

All funds are subject to audit.



# Our Advice

- Use this money to stabilize your communities.
- Think strategically before you spend.
- Consider creating a group of government officials, business leaders, nonprofits, and other stakeholders to strategize spending plans and track results.

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# For More Information

Please visit:

[tncot.cc/covid](https://tncot.cc/covid)



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