



SENATE BILL 1672

By Johnson

AN ACT to amend Tennessee Code Annotated, Title 4;
Title 5; Title 6; Title 7; Title 8; Title 9 and Title 67,
relative to government finances.

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

SECTION 1. Tennessee Code Annotated, Section 9-23-104, is amended by deleting "thirty (30) days" and substituting "forty-five (45) days".

SECTION 2. This act takes effect upon becoming law, the public welfare requiring it.

Amendment No. 2 to SB1672

Watson
Signature of Sponsor

AMEND Senate Bill No. 1672*

House Bill No. 2085

by deleting all language after the enacting clause and substituting:

SECTION 1. Tennessee Code Annotated, Title 4, Chapter 3, Part 3, is amended by adding the following as a new section:

4-3-310. Joint capital tourism board.

(a) There is created a joint capital tourism board, to be governed by a board of directors. The board consists of nine (9) voting members as follows:

(1) Two (2) persons to be appointed by the speaker of the senate;

(2) Two (2) persons to be appointed by the speaker of the house of representatives;

(3) Two (2) persons to be appointed by the governor;

(4) The chief executive officer of a county having a metropolitan form of government with a population of more than five hundred thousand (500,000), according to the 2020 federal census or any subsequent federal census, or the chief executive officer's designee;

(5) The president of a convention center that is a qualified public use facility under the Convention Center and Tourism Development Financing Act of 1998, compiled in chapter 88 of this title, in a county having a metropolitan form of government with a population of more than five hundred thousand (500,000), according to the 2020 federal census or a subsequent federal census; and

(6) The president of a convention and visitors bureau in a county having a metropolitan form of government with a population of more than five hundred

thousand (500,000), according to the 2020 federal census or any subsequent federal census, or a successor entity approved by the governing body and chief executive officer of the county and receiving funding from the county for tourism promotion purposes.

(b) In order to stagger the terms of the new members to the board, initial appointments are made as follows:

(1) Persons appointed under subdivision (a)(1) serve initial terms that expire on June 30, 2028;

(2) Persons appointed under subdivision (a)(2) serve initial terms that expire on June 30, 2029; and

(3) Persons appointed under subdivision (a)(3) serve initial terms that expire on June 30, 2030.

(c) Following the expiration of a member's initial term, as prescribed in subsection (b), all terms are four (4) years, to begin on July 1 and terminate on June 30, four (4) years thereafter.

(d) A person appointed pursuant to subdivisions (a)(1)-(3):

(1) Serves in such capacity until the expiration of the term to which the person was appointed and until the person's successor is duly appointed and qualified; and

(2) May be removed by the person's appointing authority with or without cause. A vacancy created by the removal of a person appointed pursuant to subdivisions (a)(1)-(3) is filled by the appointing authority in the same manner as the original appointment.

(e) The governor shall designate one (1) person appointed pursuant to subdivision (a)(3) to serve as chair. A majority of the board constitutes a quorum and the confirming vote of at least five (5) members of the board is required.

(f) The board is attached to the office of the comptroller of the treasury for all administrative purposes, and must be operated using the office's existing resources and personnel. The board is authorized to establish policies and procedures under which the comptroller of the treasury or the comptroller's designee is guided in the administration of state laws concerning excess revenues pursuant to § 7-89-112 and other policies and procedures as it may deem advisable.

(g)

(1) Except as provided in subdivision (g)(2), all board meetings, including all votes of the board, must comply with the open meetings provisions compiled in title 8, chapter 44.

(2)

(A) Executive sessions, or any portions of the executive sessions, conducted by the board for the purpose of discussing any applications and supporting materials related to attracting or seeking to host significant tourism events, as defined in § 7-89-112(n)(4), must be closed to the public and exempt from title 8, chapter 44.

(B) Executive sessions, or any portions of the executive sessions, conducted by the board for the purpose of discussing trade secrets and proprietary information of applicants for capital city economic assistance, as defined in § 7-89-112(n)(4), must be closed to the public and exempt from title 8, chapter 44. As used in this subdivision (g)(2)(B) and subdivision (h)(3)(B), "trade secrets" and "proprietary information" have the same meanings as defined in § 8-44-102 as applied to an eligible business or eligible commercial property owner, as defined in § 7-89-112(n)(4).

(h)

(1) Except as provided in subdivision (h)(3), any records or information relating to or arising out of the board's operations are open for public inspection under title 10, chapter 7.

(2) Notwithstanding another law to the contrary, the office of the comptroller of the treasury shall post information on its website at least quarterly regarding the payment or funding of all costs set forth in § 7-89-112(n)(1)(A)-(B), including the names of recipients of funds.

(3)

(A) Applications and supporting materials related to attracting or seeking to host significant tourism events are confidential and not open for public inspection under title 10, chapter 7.

(B) Any trade secrets and proprietary information regarding an applicant for capital city economic assistance are confidential and not subject to the open records law in title 10, chapter 7. Such information of an applicant must be used by the board only for the purposes of determining the qualifications of applicants for the economic assistance.

(i) The board must be dissolved upon the date the amount of excess revenues, as defined in § 7-89-112, equals zero dollars (\$0.00); except, that the board must not be dissolved during a period when an apportionment under § 7-88-106 is occurring.

SECTION 2. Tennessee Code Annotated, Section 4-29-249(a), is amended by adding the following as a new, appropriately designated subdivision:

() Joint capital tourism board, created by § 4-3-310;

SECTION 3. Tennessee Code Annotated, Section 7-4-110(b), is amended by deleting subdivisions (2) and (3) and substituting instead the following:

(2) One-third (1/3) in its entirety must be maintained in a reserve fund to be used exclusively for the following purposes in descending order of priority:

(A) The purpose of constructing, expanding, improving, financing, and operating a convention center;

(B) The payment or funding of authorized obligations, as defined in § 7-89-112(n)(4); or

(C) The payment or funding of costs set forth in § 7-89-112(n)(1) and (3);

(3) One-sixth (1/6) in its entirety must be used for the following purposes in descending order of priority:

(A) Tourist related activities, which may include constructing, expanding, improving, financing, and operating a convention center;

(B) The payment or funding of authorized obligations, as defined in § 7-89-112(n)(4); or

(C) The payment or funding of costs set forth in § 7-89-112(n)(1) and (3);

and

SECTION 4. Tennessee Code Annotated, Section 7-4-202, is amended by deleting subsections (b) and (c) and substituting instead the following:

(b) Except as provided in subsection (d), all revenues received by the metropolitan government from the privilege tax imposed pursuant to subsection (a) must be deposited into a metropolitan government fund entitled "the convention center fund" and must be used for the following purposes in descending order of priority:

(1) Constructing, expanding, improving, financing, and operating a publicly owned convention center in excess of four hundred million dollars (\$400,000,000) in costs located within the territory of the metropolitan government;

(2) The payment or funding of authorized obligations, as defined in § 7-89-112(n)(4); or

(3) The payment or funding of costs set forth in § 7-89-112(n)(1) and (3).

(c) If the total bonded indebtedness incurred for any construction, expansion, modification, or improvement of the convention center facility by the metropolitan government or any instrumentality thereof is paid in full as to bond principal and interest, including expenses of bond sale or sales, then the metropolitan government's taxing resolution imposing taxes authorized by subsection (a) must be repealed and this tax must no longer be levied as of the conclusion of the first full month following such date; provided, however, that any funds and interest remaining in the reserve fund after all obligations imposed under this part have been fulfilled must be used by the governmental board or agency responsible for the operation of the convention center for operation, promotion, and advertisement of the convention center facilities.

SECTION 5. Tennessee Code Annotated, Section 7-4-203, is amended by deleting subsections (d) and (e) and replacing them with the following:

(d) All revenues received by the metropolitan government from the privilege tax imposed pursuant to subsection (a) must be deposited into a metropolitan government fund entitled "the convention center fund" and must be used for the following purposes in descending order of priority:

(1) Constructing, expanding, improving, financing, and operating a publicly owned convention center in excess of four hundred million dollars (\$400,000,000) in costs located within the territory of the metropolitan government;

(2) The payment or funding of authorized obligations, as defined in § 7-89-112(n)(4); or

(3) The payment or funding of costs set forth in § 7-89-112(n)(1) and (3).

(e) If the total bonded indebtedness incurred for any construction, expansion, modification, or improvement of the convention center facility by the metropolitan government or any instrumentality thereof is paid in full as to bond principal and interest, including expenses of bond sale or sales, then the metropolitan government's taxing

resolution imposing taxes authorized by subsection (a) must be repealed and this tax must no longer be levied as of the conclusion of the first full month following such date; provided, however, that any funds and interest remaining in the reserve fund after all obligations imposed under this part have been fulfilled must be used by the governmental board or agency responsible for the operation of the convention center for operation, promotion, and advertisement of the convention center facilities.

SECTION 6. Tennessee Code Annotated, Section 7-88-106, is amending by adding the following as a new subsection (d):

(d) Notwithstanding this section or another law to the contrary, in tourism development zones located within a metropolitan government within which a convention center authority has been created pursuant to chapter 89 of this title:

(1) The apportionment and distribution of tax revenues pursuant to this section shall continue for thirty (30) years from the date the facility commenced operations as a public use facility; and

(2) The state and local sales tax revenue distributed to the municipality may also be used for authorized obligations as defined in § 7-89-112(n)(4) of the qualified public use facility and any purpose authorized by § 7-89-112.

SECTION 7. Tennessee Code Annotated, Section 7-88-114(e)(2), is amended by adding the following immediately preceding "or adding any use":

expanding a qualified public use facility in a tourism development zone located within a metropolitan government within which a convention center authority has been created pursuant to chapter 89 of this title;

SECTION 8. Tennessee Code Annotated, Section 7-89-112(c), is amended by deleting the first sentence and substituting instead the following:

No bonds shall be issued under this chapter unless authorized to be issued by resolution of the board of directors of the authority and approved by resolution of the governing body of the municipality; provided, that in the case of an authority created

pursuant to this chapter and located within a metropolitan government, the approval must be given by the metropolitan government's director of finance rather than the governing body.

SECTION 9. Tennessee Code Annotated, Section 7-89-112, is amended by deleting subsection (n) and substituting instead the following:

(n)

(1) Notwithstanding another law to the contrary, if an authority created pursuant to this chapter and located within a metropolitan government is apportioned state and local sales and use tax revenue pursuant to the Convention Center and Tourism Development Financing Act of 1998, compiled in chapter 88 of this title, as a result of the financing by the authority of a qualified public use facility or qualified associated development, then excess revenues of the authority, commencing with respect to the most recent fiscal year concluding June 30, 2026, but in no event prior to the retirement or refinancing of any indebtedness of the authority outstanding as of the end of such fiscal year, must be allocated:

(A) First, to the comptroller of the treasury, subject to subdivision (n)(2), for the payment of the costs of attracting, promoting, and hosting significant tourism events located within the metropolitan government, including any administrative expenses related thereto, or the funding of an interest-bearing reserve therefor, in an amount equal to the greater of thirty million dollars (\$30,000,000) in any fiscal year, commencing with the first fiscal year and increasing by three percent (3%) in each fiscal year thereafter, or forty percent (40%) of such revenues in any fiscal year; and

(B) Second, to the comptroller of the treasury, for any of the following purposes, subject to subdivision (n)(2):

(i) The payment of the costs of state and local public safety, and streetscape and public space cleanliness services related to significant tourism events;

(ii) The payment of capital city economic assistance to eligible businesses and eligible commercial property owners within the tourism development zone;

(iii) The funding of capital improvements to the qualified public use facility and other facilities within the tourism development zone consistent with the purposes of this chapter;

(iv) The payment of the costs of state and local public safety, and streetscape and public space cleanliness services within the tourism development zone, even if the zone is no longer active pursuant to chapter 88 of this title, for the purposes of enhancing or preserving the tourism experience in the zone; and

(v) The payment, prepayment, or defeasance of debt service or the payment of operating expenses related to the qualified public use facility or qualified associated development.

(2) Notwithstanding another law to the contrary, excess revenues must be allocated and appropriated to the purposes identified in subdivision (n)(1) as directed by the joint capital tourism board created by § 4-3-310; provided, that the board shall consult with the convention and visitors bureau in the metropolitan government for the payment of costs in subdivision (n)(1)(A). The comptroller of the treasury shall take all steps necessary to effectuate the directions of the joint capital tourism board.

(3)

(A) Accumulated excess revenues must be applied only to one (1) or more of the following purposes, at the direction of the board of

directors of the authority, in no event prior to the retirement or refinancing of any indebtedness of the authority outstanding as of the end of the fiscal year concluding June 30, 2026, and until the conclusion of the time period described in subdivision (n)(3)(B); provided, that the board of directors shall not cause the accumulated excess revenues to be depleted below the amount of authorized obligations, as defined in subdivision (n)(4)(B)(ii):

(i) The payment, prepayment, or defeasance of debt service or other contractual obligations of the authority;

(ii) The funding of the capital costs of an expansion of the qualified public use facility, including land acquisition, requiring an investment of more than seven hundred fifty million dollars (\$750,000,000); provided, that no costs other than land acquisition, design, and other pre-development costs may be funded until the state building commission has approved the expansion as a modification to the tourism development zone, pursuant to § 7-88-114(e);

(iii) The transfer of up to three hundred million dollars (\$300,000,000) to an instrumentality of the metropolitan government created by private act enacted prior to the effective date of this act, for the sole purpose of funding capital costs and related debt service and financing costs incurred in connection with the construction, installation, renovation, and equipping of roads, bridges, utilities, and other public infrastructure improvements, including any associated land acquisitions costs, located within the jurisdictional area of such instrumentality; and

(iv) Any other legal expenditure related to the qualified public use facility or qualified associated development, if approved by the joint capital tourism board.

(B) Accumulated excess revenues must cease to be applied to the purposes described in subdivision (n)(3)(A) upon the earlier of:

(i) The date on which the authority places into service an expansion of the qualified public use facility requiring an investment of more than seven hundred fifty million dollars (\$750,000,000); or

(ii) The conclusion of the fiscal year ending June 30, 2042.

(C) Upon termination of the use of accumulated excess revenues for the purposes described in subdivision (n)(3)(A), the accumulated excess revenues must be used for the purposes described in subdivision (n)(1).

(4) As used in this subsection (n):

(A) "Accumulated excess revenues" means the sum of:

(i) Moneys on the balance sheet of the authority as of the commencement of the fiscal year ending June 30, 2026, to the extent not restricted by law or third-party contract as of July 1, 2026; and

(ii) Any apportionment of state and local sales and use tax revenue with respect to the fiscal year ending June 30, 2026, pursuant to the Convention Center and Tourism Development Financing Act of 1998, compiled in chapter 88 of this title;

(B) "Authorized obligations" means:

(i) The payment of the expenses and debt service obligations of the authority;

(ii) The funding or replenishment, as applicable, of an operating reserve fund of the authority in an amount determined by the board of directors but in no event more than the authority's operating expenses for the two (2) prior fiscal years;

(iii) The annual funding of up to twenty million dollars (\$20,000,000), as determined by the board of directors of the authority, to a restricted fund of the authority to be used solely for ongoing capital expenditures of the convention center, which funding amount must increase by three percent (3%) each fiscal year, net of any investment earnings realized in such fund; and

(iv) The annual transfer of twenty-one million dollars (\$21,000,000) to the metropolitan government as of the metropolitan government's fiscal year ending June 30, 2027, and increasing by three percent (3%) in each year thereafter, to be used solely for local public safety funding in the tourism development zone, as directed by the authority;

(C) "Capital city economic assistance" means economic assistance provided to an eligible business or eligible commercial property owner, as determined by the joint capital tourism board, to be used to support operational expenditures;

(D) "Eligible business" means:

(i) An establishment permanently operating in the restaurant, retail, hospitality, or entertainment sector that is physically located within the tourism development zone;

(ii) Is registered for sales and use tax purposes with the department of revenue, and has a business license from the metropolitan government; and

(iii) Has executed a long-term lease of a commercial property or owns the commercial property in which the establishment is operated;

(E) "Eligible commercial property owner" means a person or entity that:

(i) Owns a commercial property within the tourism development zone;

(ii) Has executed a long-term lease with an eligible business for the commercial property; and

(iii) Does not own, in whole or in part, and is not affiliated with, the eligible business that occupies the commercial property;

(F) "Excess revenues" means, following the payment or the funding, as applicable, of the authority's authorized obligations:

(i) Revenues of the authority in any fiscal year, commencing with the fiscal year ending June 30, 2026, but excluding any accumulated excess revenues; and

(ii) Any accumulated excess revenues remaining at the conclusion of the time period described in subdivision (n)(3)(B);

(G) "Qualified associated development," "qualified public use facility," and "tourism development zone" have the same meanings as defined in § 7-88-103;

(H) "Revenues" means the revenues of the authority, together with any revenues derived from taxes, fees, investment earnings, and surcharges that are authorized to be imposed pursuant to law, and that are paid, contributed, or pledged to an authority or to the convention center fund by the state or a municipality pursuant to law, agreement, or otherwise, including:

(i) Privilege taxes imposed pursuant to chapter 4 of this title;

(ii) Allocations of state and local tax revenue pursuant to chapter 88 of this title;

(iii) Allocations of state and local tax revenue pursuant to § 67-6-103; and

(iv) Taxes and surcharges imposed pursuant to title 67, chapter 4, part 19; and

(l) "Significant tourism events" means sports, entertainment, arts, convention, and other events anticipated to attract significant out-of-state tourism.

(5) This subsection (n) does not limit or impair existing obligations of contracts to which revenues are pledged or divest vested rights of the beneficiaries of contracts to which revenues are pledged.

(6) During the existence of the tourism development zone, debt must not be issued or refunded under this chapter without express approval of the state funding board.

SECTION 10. Tennessee Code Annotated, Section 67-4-1908, is amended by deleting subsections (b) and (c) and substituting instead the following:

(b) All revenues received by the metropolitan government from the surcharge or tax imposed pursuant to subsection (a) must be deposited into a metropolitan government fund entitled "the convention center fund" and must be used for the following purposes in descending order of priority:

(1) Constructing, expanding, improving, financing, and operating a publicly owned convention center in excess of four hundred million dollars (\$400,000,000) in costs located within the territory of the metropolitan government;

(2) The payment or funding of authorized obligations, as defined in § 7-89-112(n)(4); or

(3) The payment or funding of costs set forth in § 7-89-112(n)(1) and (3).

(c) If the total bonded indebtedness incurred for any construction, expansion, modification, or improvement of the convention center facility by the metropolitan government or any instrumentality thereof is paid in full as to bond principal and interest, including expenses of bond sale or sales, then the metropolitan government's taxing resolution imposing taxes authorized by subsection (a) must be repealed and this surcharge or tax must no longer be levied as of the conclusion of the first full month following such date; provided, however, that any funds and interest remaining in the reserve fund after all obligations imposed under this part have been fulfilled must be used by the governmental board or agency responsible for the operation of the convention center for use by the governmental board or agency in the operation, promotion, and advertisement of the convention center facilities.

SECTION 11. Tennessee Code Annotated, Section 67-6-103, is amended by deleting the last sentence of subdivision (d)(1)(E)(i) and substituting instead the following:

The apportionment and distribution must begin at the time that the convention center begins operations and must continue through 2058 or until all debt incurred to finance the convention center is retired, whichever is sooner.

SECTION 12. Tennessee Code Annotated, Section 67-6-103, is amended by deleting the second sentence of subdivision (d)(1)(E)(ii) and substituting instead the following:

The apportionment and distribution must begin at the time that the convention center begins operations and must continue for the duration described in subdivision (d)(1)(E)(i).

SECTION 13. If any provision of this act or the application of any provision of this act to any person or circumstance is held invalid, then all provisions and applications of this act are declared to be invalid and void.

SECTION 14. The heading in this act is for reference purposes only and does not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the heading in any compilation or publication containing this act.

SECTION 15. For purposes of appointing members to the new joint capital tourism board, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect July 1, 2026, the public welfare requiring it.