

TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations

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MINUTES OF THE TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

28 January 2015

Meeting Called to Order

The Tennessee Advisory Commission on Intergovernmental Relations met in Legislative Plaza Room 30 at 1:09 p.m., Vice Chairman Tom ROWLAND and Chairman Mark NORRIS presiding.

Present 20	Absent 0
County Mayor Ernest Burgess	
Mr. Charles Cardwell	
Representative Mike Carter	
Mr. Rozelle Criner	
Mayor Betsy Crossley	
Ms. Paula Davis	
County Mayor Brent Greer	
Representative Ryan Haynes	
County Executive Jeff Huffman	
County Mayor Kenny McBride	
Mr. Iliff McMahan	
Senator Randy McNally	
Senator Mark Norris	
Representative Antonio Parkinson	
Mayor Tom Rowland	
Representative Charles Sargent	
Mr. Tommy Schumpert	
Councilmember Kay Senter	
Senator Jim Tracy	
County Mayor Larry Waters	
Comptroller Justin Wilson ¹	

¹ Phillip Doss represented Justin Wilson

1. Call to Order and Approval of the Minutes

Vice chairman Tom ROWLAND called the meeting to order at 1:09 p.m. and requested approval of the minutes. Commissioner Iliff MCMAHAN moved adoption and Commissioner Charles CARDWELL seconded the motion, which passed unanimously.

2. Commission Updates

Chairman NORRIS and Vice chairman ROWLAND were unanimously re-elected by acclamation. Chairman NORRIS then directed the members' attention to a resolution honoring Mayor Troy BEETS for his service to the Commission and the citizens of the state of Tennessee and asked for approval of the resolution. Mayor ROWLAND moved approval and Mayor CROSSLEY seconded the motion, which passed unanimously.

Chairman NORRIS and TACIR's executive director, Lynnis ROEHRICH-PATRICK recognized the Commission's director of administration, Michael TIMME, for 25 years of service to the state.

Chairman NORRIS updated the members on the legislation-referral process, saying that it is still being reviewed and discussed by Senator MCNALLY and other leaders in the House and the Senate.

3. School Board Budget Line-item Authority for City Councils and County Commissions (Senate Bill 1935 by Johnson)—Final Report for Approval

Senior research consultant Ethel DETCH presented the final report on school system budgets for approval. She reminded the Commission that the bill prompting the study, Senate Bill 1935 by Senator Jack Johnson, would have given certain local legislative bodies authority to alter or revise administrative line items within school systems' budgets when administrative spending exceeds 10% of the total budget. Presently, local legislative bodies can revise only the total budget amount.

Ms. DETCH noted that the final report contains some updated information and that a description of House Bill 2293/Senate Bill 2525 had been added to the report. That legislation would have allowed the same set of local legislative bodies to alter or revise line items of proposed education budgets if they contained lobbying expenditures. The report describes issues raised by both bills and explains the Commission's recommendation that authority over specific items within school budgets remain with elected school boards.

Mayor GREER moved approval of the report, Mayor MCBRIDE seconded, and it was approved unanimously.

4. Recommended Workplace Civility Policy for State Agencies and Local Government (Public Chapter 997, Acts of 2014)—Final Report for Approval

Senior research consultant Ethel DETCH presented the final healthy workplace policy required by Public Chapter 997 based on bills sponsored by Representative PARKINSON and Senator KYLE. Ms. DETCH noted that, since the November meeting, the policy had been renamed the Abusive Conduct Prevention Policy to conform more closely to the legislation. She said that adoption of the policy would be optional and that any government organization adopting it would need to modify it to fit their specific policies and practices. Ms. DETCH noted that the policy had been revised to clearly include higher education and primary and secondary schools and summarized the main points of Attorney General's opinion No. 15-01, which was requested by Chairman NORRIS. Ms. DETCH also explained that a report had been written explaining the background of the policy, how it relates to existing laws, and addressing questions related to implementation.

Councilmember SENTER asked whether the legislation extends to committees appointed by the legislative body such as planning commissions and 911 boards. Ms. DETCH responded based on the Attorney General's opinion that it probably would.

Several members expressed concerns with the bill. Senator TRACY and Mayor BURGESS indicated that they had several concerns and were not sure that a policy is needed. Mayor BURGESS questioned what "reasonable person" means. Representative CARTER expressed concern about who would pay the legal expenses of persons who are accused of bullying. Representatives HAYNES and CARTER both said they thought the legislation would be repealed.

Representative PARKINSON explained that the law's purpose was to educate all employees and remove the excuse of negligence. He emphasized that the General Assembly had tasked the Commission with developing a policy and that it might be more appropriate to debate the law's merits during the legislative session.

Mayor WATERS made a motion that the Commission request additional time to develop a draft policy. The motion, seconded by Representative CARTER, passed on a vote of 12 to 5.

5. Municipal Boundary Changes and Comprehensive Growth Plans(Public Chapter 707, Acts of 2014)—Final Report for Approval

Senior research associate Bob MOREO presented the final report on municipal boundary changes and comprehensive growth plans, which included recommendations related to non-resident participation in annexation decisions, annexing non-contiguous areas, and reviewing and updating growth plans, among others.

The members discussed various related issues, including non-resident voters, statutory discrepancies in current law, and the definition of agricultural use of property. They also discussed the quarterly meeting requirement for the JECDBs, with Mayor MCBRIDE saying that in his experience, the meetings have not been productive. Chairman NORRIS directed staff to

add a recommendation that the meeting requirement be changed to once a year and more often if necessary.

Chairman NORRIS also asked staff to add language discussing the option of requiring approval by a majority of those voting or signing the petition both inside the annexing city and outside. This would be consistent with the law in Tennessee requiring dual majorities for things like consolidation of governments, upheld in December 2014 by the US Sixth District Court of Appeals, and those instances where cities allows residents outside the area proposed for annexation to participate in the referendum.

Mr. CARDWELL moved approval of the report, Mr. SCHUMPERT seconded the motion, and it was unanimously approved.

6. Valuing Low-Income Housing Tax Credit Properties in Tennessee (Senate Bill 1671 Southerland)—Final Report for Approval

Research associate Dr. Matthew OWEN presented the final report on valuing low-income housing tax credit properties in Tennessee. The bill prompting the study would have prohibited consideration of the value of tax credits when valuing low-income housing tax credit properties. He described alternatives presented in the report that would result in relatively uniform tax payments that are easier for property owners to budget for while still recognizing that the credits are the major source of income for investors in these projects.

Dr. OWEN noted that staff replaced the hypothetical property in the draft report presented at the November 2014 meeting with a real low-income housing tax credit property in Chattanooga to compare alternative approaches to valuing LIHTC properties using information provided by the property developer and the Hamilton County Assessor's Office.

Mayor WATERS asked whether it would be possible to mitigate the cash flow problems that can result from the current valuation method used in Tennessee while still recognizing that the credits have value by spreading the total amount tax credits evenly over the ten-year tax-credit period when valuing LIHTC properties to allay concern that the current practice in Tennessee could prevent these projects from being built in rural areas. Ms. ROEHRICH-PATRICK said staff would add this alternative approach to the final report using the real LIHTC property from Chattanooga.

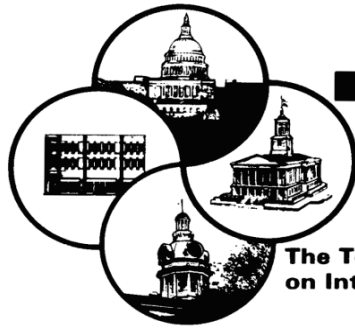
Responding to a concern by Representative CARTER that approaches for valuing LIHTC properties that fail to consider rent restrictions might cause cash flow, Ms. ROEHRICH-PATRICK explained the different income streams that developers and investors receive from their participation in LIHTC projects. She clarified that these income streams were not being taxed in the income approach to property valuation but were being used as indicators of a property's value to a willing buyer.

Mayor BURGESS expressed support for spreading the cumulative annual present values of the tax credits over the 30-year restricted-rent period because it would reduce the early burden on

property owners but keep the total taxes owed to local government over the 30-year period the same.

Mr. CRINER moved the approval of the report, Mayor ROWLAND seconded the motion, and it was approved unanimously.

Chairman NORRIS adjourned the meeting at 3:34 pm.



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MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
29 January 2015

Meeting Called to Order

The Tennessee Advisory Commission on Intergovernmental Relations met in Legislative Plaza Room 30 at 8:46 a.m., Vice Chairman Tom ROWLAND presiding.

Present 18	Absent 3
County Mayor Ernest Burgess	Senator Randy McNally
Mr. Charles Cardwell	Senator Mark Norris
Representative Mike Carter	Representative Charles Sargent
Mr. Rozelle Criner	
Mayor Betsy Crossley	
Ms. Paula Davis	
County Mayor Brent Greer	
Representative Ryan Haynes	
County Executive Jeff Huffman	
County Mayor Kenny McBride	
Mr. Iliff McMahan	
Representative Antonio Parkinson	
Mayor Tom Rowland	
Mr. Tommy Schumpert	
Councilmember Kay Senter	
Senator Jim Tracy	
County Mayor Larry Waters	
Comptroller Justin Wilson ¹	

¹ Phillip Doss represented Justin Wilson

Call to Order

Vice chairman ROWLAND called the meeting to order at 8:46 a.m.

1. Uninsured Motorist Identification and Enforcement (House Bill 2457 by Lundberg)

The Commission heard presentations from two panels on legislation proposed to assist in uninsured motorist identification and enforcement. The first panel included representatives of the insurance industry and individuals working with verification systems:

- Center for Advanced Public Safety (CAPS), University of Alabama, Matthew Hudnall, Senior Associate Director
- Insure-Rite, Inc., Bart Blackstock, Executive Vice President
- Farm Bureau Insurance of Tennessee, Benjamin Sanders, Executive Director of Government Affairs
- Insurance Industry Committee on Motor Vehicle Administration, Alex Hageli, Vice-Chair

Mr. HUDNALL explained that CAPS developed Alabama's hybrid-web-service vehicle-registration-verification system, as well as other computer systems for the Alabama Motor Vehicle Division, and provides systems for other states, including Mississippi and Arkansas. When Alabama implemented its first mandatory liability insurance law in 2000, the state had an uninsured vehicle rate of 25%. Initially, Alabama enforced this law only through randomly targeted letters to registered vehicle owners asking them to verify whether they had insurance. By 2012 the uninsured rate had dropped to 20%. Alabama began using an online insurance verification system and began requiring electronic verification of insurance coverage for vehicle registration in 2013.

Alabama's system allows county officials, law enforcement, and the courts to query a centralized system that authenticates the user, logs the insurance information for the vehicle being verified, and routes it to the appropriate insurance company for verification. Insurance companies are required to send policy information once a month to CAPS to assist in the routing of verification information. This information creates a record that can be used to automatically generate insurance verification requests to insurers, making the verification process easier and more precise by reducing manual entry at the point of registration and traffic stops.

In response to a question by Mayor ROWLAND, Mr. HUDNALL said that Alabama requires insurance companies to participate, and there is a \$1,000 fine for each failure to respond to a verification request. He said he believes the fine is too large, and in fact Alabama has never imposed it. He thinks the \$250 fine per day in Tennessee's bill is much more reasonable.

Mr. HUDNALL cautioned the Commission about vehicle owners who attempt to circumvent the law by claiming a working vehicle is inoperable. To address this problem, CAPS makes citation

information from police available to registration officials, allowing them to check for citations issued for a vehicle when a person claimed it was inoperable.

In response to a question from Mayor BURGESS about the initial contractual amount between the state and the University of Alabama to develop the system and about the recurring cost, Mr. HUDNALL said that the technology component, which includes the web service used to query insurance companies and the software used by officers and licensing officials, cost approximately \$350,000, and the statewide marketing campaign consisting of TV and radio commercials and billboards cost about \$500,000. The only recurring costs are those for employing the people who keep the system running and for the individuals devoted to resolving data discrepancy issues.

Speaking next, Mr. BLACKSTOCK, who works for a company that designs and operates verification systems for other states, said that the best verification systems require insurers both to provide a full-book-of-business download at least twice a month and to implement the IICMVA model. The advantage of the full-book method is that it allows the system to match data from insurers and the state and provides a 95% or better match rate based on Insure-Rite's experience in Utah and Texas. The IICMVA model is great for online verification, but it requires an exact vehicle identification number (VIN) and policy number.

Mr. BLACKSTOCK recommended, as the second best method, requiring a full-book-of-business only, but the insurance industry opposes it. The third best option is an "add/delete" system, with or without the IICMVA-model unknown-carrier or VIN-only request. But these systems are very inaccurate and difficult to manage. Mr. BLACKSTOCK does not recommend this. The least-preferred choice would be the IICMVA model by itself because it is labor intensive for those that have to use it, such as law enforcement, and is designed to be reactive only.

Because of insurers' concerns, Insure-Rite developed a hybrid approach for Tennessee for inclusion in legislation introduced in 2015. The Tennessee hybrid approach would require insurance companies to either participate in the IICMVA model or report a full-book-of-business. If an insurer chooses the IICMVA model, they might have to manually enter VIN and policy numbers. However, an optional IICMVA component allows for an unknown-carrier or VIN-only request to help avoid the manual entry problem. Owners of vehicles not verified by either method would be sent letters requesting verification. The letter method is similar to Alabama's, but Mr. BLACKSTOCK recommends a 90-day period before sending a letter while Alabama waits only 30 days.

Speaking next, Mr. SANDERS said that any solution to the uninsured motorist problem should have three characteristics: (1) the penalties should change behavior, (2) unintended consequences should be avoided, and (3) the benefits should outweigh the costs to consumers. He said that Tennessee's maximum fine of \$100 is not enough to change the behavior of those who make a risk-versus-reward assessment of whether to break the law. The minimum price for a vehicle liability policy is about \$300 a year in Tennessee, and a lot of people in Tennessee would rather risk the fine than pay that cost. Before the state looks at expensive verification programs, it should consider increasing the fine.

Mr. SANDERS also said that while most states require insurance at the time of registration, Farm Bureau has strenuously opposed this in Tennessee because of concern that people will buy insurance, register the vehicle, and then drop the policy. Further, insurers should not be part of the enforcement arm of the state, required to implement an expensive computer program. While Farm Bureau is glad to be a good corporate citizen and help the state, they question the benefit to their policy holders. He said the incremental approach agreed to by the sponsor of Tennessee's legislation and interested parties is a good solution, one that could lower the uninsured rate without adding cost to those people that are already being responsible.

In response to a question from Mayor ROWLAND about what happens when a motorist gets insurance and cancels after two weeks but still has an insurance card to show to law enforcement and is pulled over, Mr. SANDERS said that the IICMVA model allows law enforcement to "ping" insurance company information to confirm the validity of the cards.

Mr. HAGELI, who in addition to serving as vice-chair of the national Insurance Industry Committee on Motor Vehicle Administration is also the director of personal lines policy for the Property Casualty Insurers Association of America (PCI), which opposes insurance requirements because they lead to verification programs that waste a lot of insurance company resources on resolving discrepancies between databases and insurance company information. Furthermore, the moment data is entered into the database it becomes dated and may not be accurate if it is referenced several days later. Because of this, the IICMVA model allows the state to access the insurance company's information in real-time rather than relying on information in state-run or third-party databases. PCI considers this a superior approach. He also said that any insurance-verification legislation should require an advisory council to facilitate communication between state agencies and the insurance industry and that commercial insurance policies should be excluded because they are very different from personal insurance coverage.

He said that people make an economic decision whether to buy insurance or be penalized. It does a state no good to simply know who is driving without insurance unless it has effective enforcement. Because of this, Tennessee should raise its fine for violating the law and not allow judges to reduce the amount because of a hard-luck story.

In the discussion following the panel, Representative CARTER questioned the need to address the uninsured motorist problem by creating the proposed bureaucracy when people can fix the problem for themselves by buying uninsured coverage for \$2 to \$7 a month. He also questioned the option to reject uninsured coverage when buying a policy. Mr. SANDERS said that a lot of complaints come from those who rejected uninsured coverage but are upset when involved in an accident with an uninsured driver and have to pay out-of-pocket for the damage. He also said that about 95% of Farm Bureau's customers carry uninsured coverage and that Tennessee prohibits rate increases for those hit by uninsured drivers, whether they have uninsured coverage or not. Representative CARTER responded that the complaint he hears from some motorists is that their insurance agent didn't explain the uninsured coverage to them and asked whether the state should require uninsured motorist coverage. Noting that it is a profound punishment to take a working person's driver's license and that doing so could

ultimately put them on public assistance, if Tennessee is going to do this, we need to know that we are correcting a tremendous problem.

Mr. HAGELI responded that the catalyst for the Alabama program was its high uninsured rates and noted that Tennessee's uninsured rate is one of the highest. Mr. SANDERS said that people who feel that they have little to lose have little incentive to buy insurance and that the data shows that states with the lowest uninsured rates also have the highest household incomes. For example, states like Massachusetts, Maine, Vermont, and New York that have higher average incomes than Tennessee also have lower uninsured rates. Further, while Utah has a verification system and a very low rate, it also has a much higher average income than Tennessee.

The second panel included representatives of state and local government:

- Department of Safety & Homeland Security, Roger Hutto, General Counsel
- Department of Revenue, Richard Roberts, Commissioner
- Department of Commerce and Insurance, Michael Humphreys, Assistant Commissioner, and Tony Greer, Chief Counsel
- County Clerks Association, Kellie Jackson, Montgomery County Clerk

Mr. HUTTO said that, although the Department of Safety enforces the Financial Responsibility Law, the Uninsured Motorist Enforcement Act of 2014 would have very little effect on them. Currently, there is no requirement to show proof of insurance to register a vehicle or to get a driver's license, but failure to have insurance is a violation that can result in suspension of the driver's license by the department for one year. Current law requires proof of insurance in only certain situations, such as traffic stops for moving violation and involvement in an accident.

There are about 20 traffic offenses for which the person convicted must show proof of vehicle insurance to the Department of Safety in order to get their license back. The requirement to show proof means either showing that the person had insurance at the time of the offense or that the person has obtained prepaid auto insurance for a period that varies with the seriousness of the offense, referred to by the insurance industry as SR-22.

The department suspended about 67,000 licenses last year because of violations of the Tennessee Financial Responsibility Law. The Tennessee Highway Patrol alone issued about 61,000 citations for failure to show proof of insurance; some of those cited were insured but did not have proof on hand. Asked by Mayor ROWLAND whether people are allowed to drive away after being cited for failure to provide proof of insurance at traffic stops, Mr. HUTTO replied that they are.

Speaking next, Commissioner ROBERTS said the question whether uninsured coverage should be required in order to register a vehicle is one for the legislature but that any requirement should not be allowed to slow the work of county clerks or be cumbersome for those needing to renew registrations. Clerks are dealing with 40-year-old-technology, particularly for vehicle

titling and registration, and there have been some ill-conceived attempts that cost a lot of money over the years to update it.

The department is currently developing an insurance verification system that Commissioner ROBERTS said he hopes to be testing in consultation with the Department of Safety and county clerks and implementing by next year. The department does not yet have all the details that comprehensive legislation should include, such as appropriate fine amounts and lapse periods, but the department could come back next year with a definitive report on the successes and failures of the system, and a verification system could be ready to operate in less than a year and half. Testing of the program could begin this fall and be used to identify any gaps in the system.

Responding to a question from Mayor WATERS clarifying whether Commissioner ROBERTS was recommending not passing this type of legislation or asking for more time to develop an insurance verification system, Commissioner ROBERTS made clear that the Department of Revenue is not taking a position on legislation but is already working to develop a solution and would like more time to evaluate and test it in order to come back with recommendations based on what they find most workable. He noted the department's past successes in solving problems with generating dealer drive out tags, print-on-demand, and electronic delivery of data as evidence of the department's ability to solve problems in an orderly and efficient way. Commissioner ROBERTS also suggested allowing time for additional recommendations from citizens and the legislature for appropriate fines, grace periods, notice, and basis for suspending a registration. He said this issue raises a lot of policy questions beyond the concerns of one department.

Responding to a question from Mayor BURGESS whether the verification system he had under consideration was the full-book approach, the IICMVA model, or some combination, Commissioner ROBERTS said they were contemplating allowing insurance companies to decide, at least initially, and see how that works. He said they might narrow it down to one system in the future, but they do not know enough now to eliminate one or the other. He said that he has heard pros and cons for both systems and would like to accommodate both at the start.

Asked by Mayor ROWLAND whether people can still post a bond rather than buy insurance to meet the requirements of the Financial Responsibility Law, Commissioner ROBERTS responded that it is still permitted but only one person has done so.

Speaking next, Mr. HUMPHREYS said that the Department of Commerce and Insurance's role in the changes proposed by the referred legislation is limited to enforcing insurance companies' participation in whatever verification system is used and had no further comment.

Ms. JACKSON, representing the County Clerks Association, said their members understand that uninsured vehicles are a problem and are willing to assist in reducing that number. She asked that any verification requirement be reviewed to make sure county clerks are not overly burdened with a heavy workload and do not have to absorb the costs. She said the biggest challenge for county clerks is a lack of manpower. She also said that approximately 49% of

registration renewals in Montgomery County take place online or by mail. If they had to require additional materials because an applicant failed to submit them, they would have the additional expenses of mailing a request and following up on it. Also, since military service members have taken advantage of online renewals and many renew while overseas to have the registered vehicle ready when they get back, requiring additional documentation could create a hardship for them.

Ms. JACKSON recommended not requiring county clerks to check hardcopy proof of insurance when customers come in to register, and if there is a requirement, prefers that there is an electronic way to check for proof of insurance. Notations alerting county clerks not to renew registrations, as well as emission testing information, are already embedded in the state's computer system, and 93 of the 95 county clerk's offices are using software and technology services provided by a single company to access it in a seamless process that prevents clerks from renewing those registrations.

In other discussion, Representative CARTER, drawing on his experience as a judge, made the point that issuing citations and suspending licenses does not stop people from driving, particularly those who have to drive to get to work and cannot afford not to work. Given the number of citations issued by the Tennessee Highway Patrol, he suggested that there are probably hundreds of thousands of citations being issued across the state. Numerous statutes require judges to revoke driver's licenses, which raises the question of what to do about working Tennesseans that have their licenses suspended. Council Member SENTER speculated that many of those without insurance are those without licenses.

Senator TRACY said that while we want everyone to have insurance, there will always be gaps. For example, if someone doesn't pay for their insurance, how quickly can an insurance company deny coverage for that person if they are in an accident? How quickly should insurance companies notify the clerks and state government that there is a lapse in coverage? Ms. JACKSON added that one bill introduced last year would have required insurers to notify the state after a certain number of days when insurance is dropped.

2. Civil Remedies for Invasion of Privacy, Updating the Law to Reach New Technology (House Bill 1855 by Williams, R.)—Final Report for Approval

Research associate Nathan SHAVER presented the final report on civil remedies for invasion of privacy for approval. The report was prepared in response to House Bill 1855, which would have expanded current common law rights to sue for invasions of privacy by creating a new civil cause of action for capturing or attempting to capture an image, recording, or impression by using a visual or auditory enhancing device—what might be called a virtual invasion of privacy—regardless of whether the image or recording were published.

Mr. SHAVER noted that the final report includes information about unmanned aircraft (commonly called drones) and discusses the potential threats posed to personal privacy by their use and explained that changes in the bill may be necessary to ensure that damages can be recovered for invasions of privacy using drones.

Councilmember SENTER moved approval of the report, Representative PARKINSON seconded her motion, and it was unanimously approved.

3. Planned Developments and Homeowners Associations (House Bill 2070 by Farmer)—Final Report for Approval

Senior research associate Michael MOUNT presented the final report on planned developments and homeowners' associations (HOAs) for approval. Mr. MOUNT described the section added to the report in response to Mayor GREER's request at the November 2014 commission meeting to add information to the report about the obligation of counties to pay HOA assessments before selling a property at a tax sale. Allowing local governments to force the sale of tax delinquent properties for less than the amount of taxes owed and related costs would increase the likelihood that they could avoid buying them and assuming responsibility for future HOA assessments. Tennessee already allows the sale of properties for less than the taxes and associated costs owed, but only after the one-year redemption period, not at the tax sale.

Mr. CARDWELL moved approval of the report, Representative HAYNES seconded the motion, and it was unanimously approved.

4. Presentation of Annual TVA Report—For Approval

Dr. Reuben KYLE presented the annual update on Tennessee Valley Authority (TVA) payments in lieu of taxes (PILOT) for approval. He said that both Tennessee's estimated share of TVA's PILOT and the total amount that the state is estimated to receive from the Authority increased because of changes that caused decreases in Kentucky and Alabama. TVA's payment to Kentucky decreased because the Authority's largest customer in the state closed, and its payment to Alabama decreased because TVA retired several of its coal-fired units in that state. Dr. KYLE also reviewed the potential effect of sale-and-leaseback and lease-and-leaseback agreements on the PILOT, noting that the lease-and-leaseback agreement for the John Sevier plant in Hawkins County does not affect the PILOT because the plant is still owned by TVA.

Dr. KYLE said that TVA's strategy to rebalance the allocation of fuel sources could affect the PILOT. This rebalancing was driven both by environmental regulation and the economics of the energy industry, including the relative drop in the price of natural gas. The Authority plans to retire all of its coal-fired units at the Johnsonville plant in Humphreys County; it has already retired the coal-fired units at the John Sevier plant in Hawkins County, replacing them with a combined-cycle natural gas plant on an adjacent site.

Following the presentation, the Commission discussed TVA actions that might affect the PILOT distribution in Tennessee. Noting that TVA is retiring the Allen Fossil Plant in Shelby County and replacing it with a modern natural gas-fired plant on the same site, County Executive HUFFMAN asked whether this would have an effect on the PILOT to the county. The change in technology should have no effect. County Executive HUFFMAN also asked whether private companies like

Clean Line Energy would affect TVA's PILOT or increase local tax revenue. They would not affect the PILOT but they could affect local tax revenue.

In response to a question whether private companies seeking to generate and sell electricity in Tennessee have to have permission from TVA, Dr. KYLE said that they do. Under the Energy Policy Act of 1992 Section 212(j), TVA does not have to allow other utilities to use its transmission system to sell power directly to distributors or consumers within its service area.

Mayor Kenny MCBRIDE moved approval of the report, County Executive HUFFMAN seconded the motion, and it passed unanimously.

5. Next meetings

- June 10-11

Vice chairman ROWLAND adjourned the meeting at 10:49 A.M.