LEGISLATIVE REPORT

2ND SESSION OF THE 114TH GENERAL ASSEMBLY

JUNE 2026

THE VOICE OF TOWNS & CITIES

TENNESSEE MUNICIPAL LEAGUE EST 1940

TABLE OF CONTENTS

LEGISLATION AFFECTING TOWNS AND CITIES

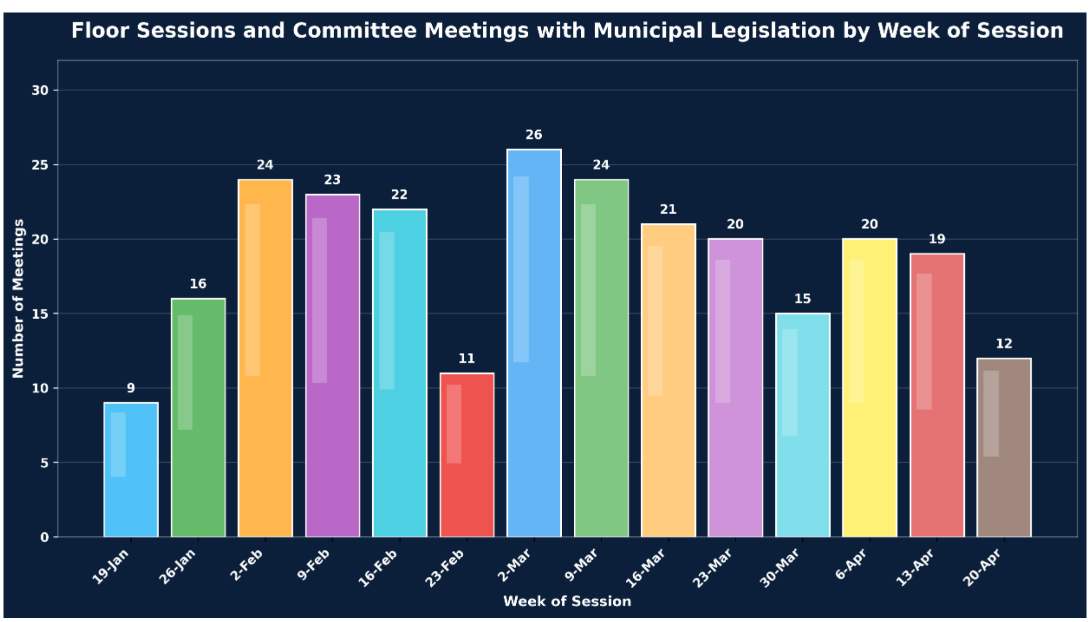
By The Numbers
The Second Session of the 114th General Assembly convened on January 13, 2026, and adjourned sine die on April 23, 2026.

Each bill that affects a city or town is noteworthy. However, with the TML legislative team identifying 632 of the bills filed that either directly affected or had the potential to directly affect towns and cities, this summary is confined to only those bills that meaningfully impact local authority, local revenues, provision of services, operations, or communities and residents.

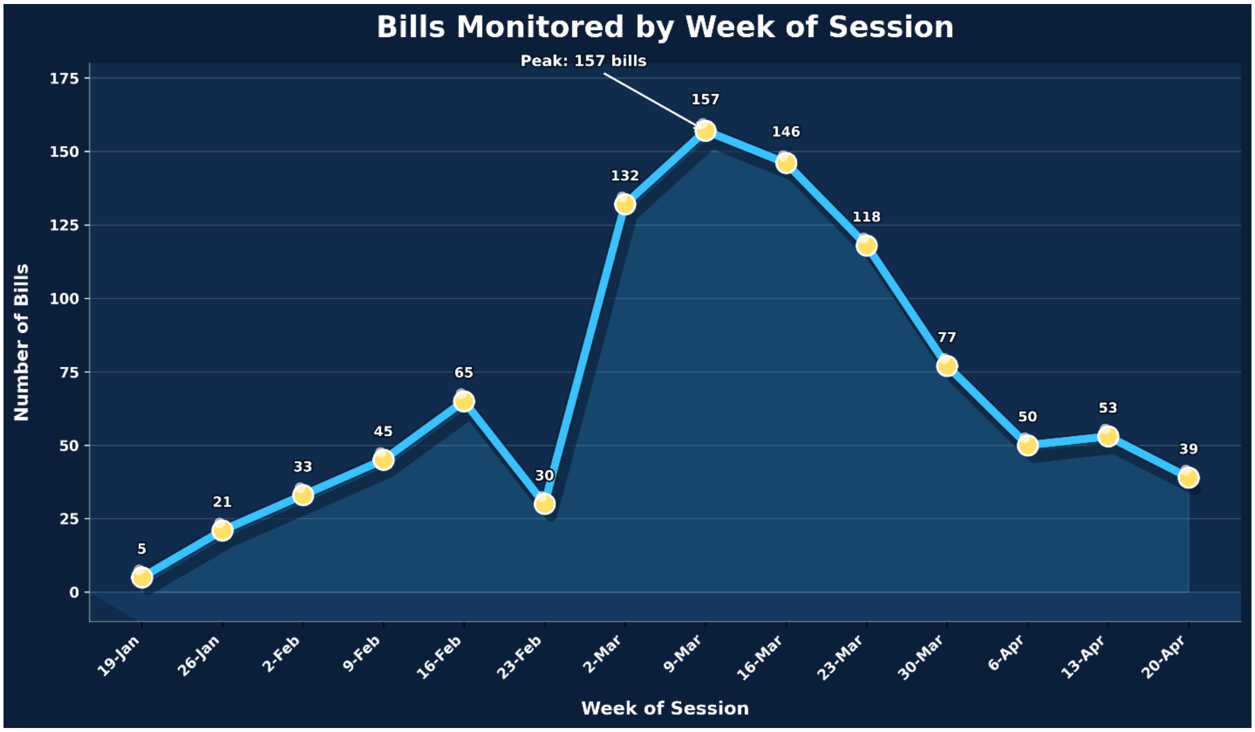
Of the 632 bills identified as potentially affecting municipal authority, revenues or operations, 391 were placed on a calendar and considered by at least one committee in 2026.

Active Engagement
The Tennessee Municipal League's legislative team maintained an active presence throughout the 2026 legislative session, closely monitoring legislation affecting Tennessee cities and towns while engaging in committee and floor proceedings across the General Assembly.

The number of floor sessions and committee meetings on municipal legislation increased steadily from 9 meetings in mid-January to 24 by early February, and remained consistently high throughout February and March. Activity peaked at 26 meetings during the week of March 2, reflecting the period when lawmakers were most actively considering legislation with municipal implications and when TML's advocacy and monitoring efforts were at their highest level.



TML's legislative team maintained an intensive advocacy and monitoring effort throughout the session as the volume of municipal legislation expanded significantly. Bills monitored increased from 5 measures during the first week of meaningful activity to a peak of 157 bills during the week of March 9. Even as legislative activity began to taper after mid-March, TML continued tracking more than 100 bills throughout much of the month while participating in 20 to 24 committee and floor meetings per week.



Overall, these trends demonstrate the sustained engagement of TML's legislative team in reviewing, monitoring, and advocating on a broad range of issues affecting municipalities, ensuring that the interests of Tennessee cities and towns were effectively represented throughout the legislative process.

It should be noted that the week of February 23 was an anomaly, as much of the state was contending with power outages caused by ice and other effects of Winter Storm Fern, resulting in the cancellation of most scheduled legislative meetings.

Adverse Impact

A total of 89 bills considered were found to have one or more of the following effects: limited local authority, reduced municipal revenues, or increased expenses for cities and towns. The largest category involved measures that reduce revenue, followed by legislation that increased expenses and measures that limit authority.

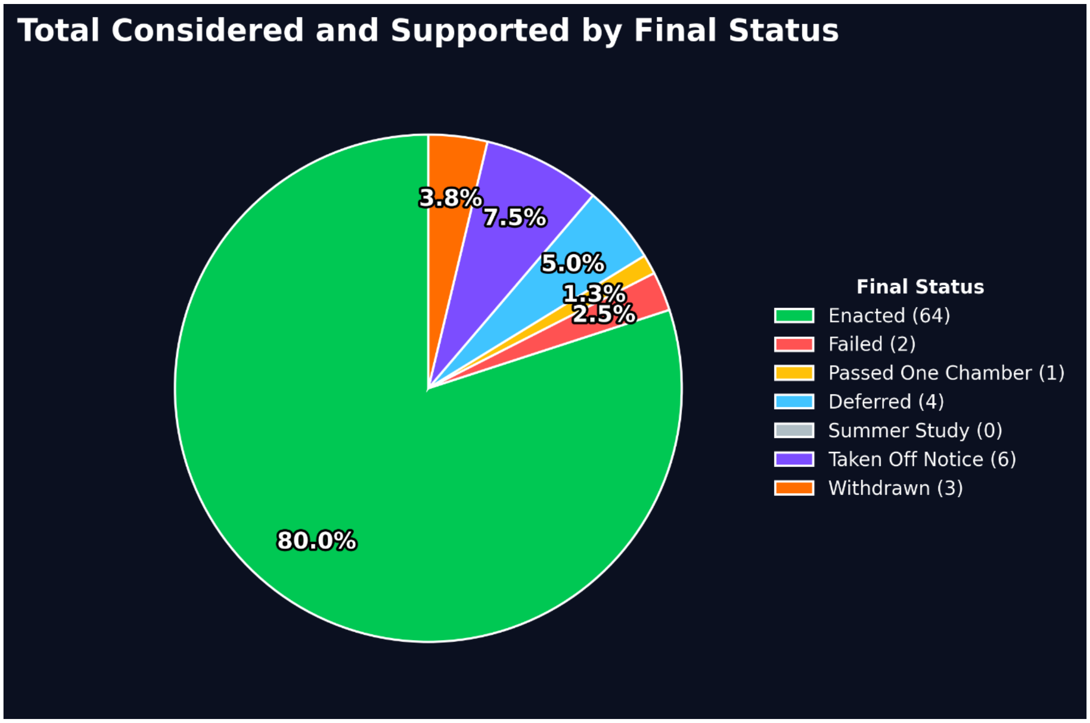
Of the adverse measures considered, fewer ultimately became law. The General Assembly ultimately adopted 17 of these bills, including 3 that reduced revenues, 8 that increased expenses, and another 6 that limited authority.

Formal TML Positions

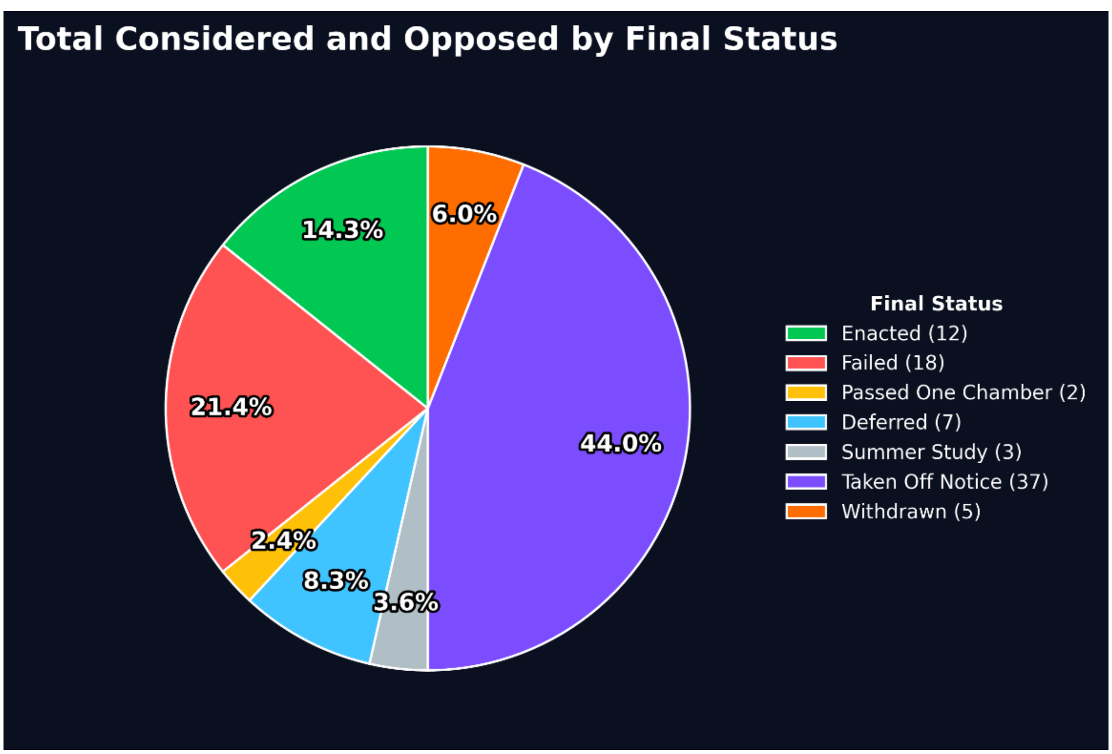
The Tennessee Municipal League actively engaged in legislation throughout the 2025 session, taking formal positions on 164 of the 391 bills that could impact cities and towns. Of those measures, TML supported 80 bills and opposed 84, reflecting a nearly even split between legislation TML formally supported and proposals viewed as adverse to municipal interests. However, the time and energy allocated to each were hardly balanced as all bills are not equal in effect and adverse measures generally demand greater effort.

During the legislative session, TML worked closely with the Lee administration, legislative leaders, committee chairmen, bill sponsors, municipal partners, counties, and business and industry entities to successfully amend 28 of the bills the League initially opposed. In 7 instances, the amendments adopted were insufficient to prompt the League to remove its opposition. However, in another 5 instances, amendments adopted improved the bill to such an extent that the League removed its opposition.

Among the bills TML supported, 80% were enacted into law, demonstrating a high level of success in advancing legislative priorities that benefit Tennessee municipalities. Only 2 supported bills failed, while 1 bill passed one chamber but did not complete the legislative process, underscoring the effectiveness of TML's advocacy efforts.



Among the 84 bills opposed by TML, the largest share, 37 bills, were taken off notice, while 18 failed outright, and another 17 bills stalled and did not become law. In total, approximately 86% of the bills opposed by TML did not become law, reflecting significant success in preventing the enactment of legislation viewed as adverse to municipal authority, finances, and operations.



Overall, the results reflect a highly successful legislative session, with four out of every five supported measures becoming law and only 14% of the bills opposed being adopted.

BUDGET OVERVIEW

Tennessee's FY 2026–27 budget totals approximately $58 billion, with approximately 52% from general and dedicated state appropriations and the rest from federal sources, fees, tuition, and bonds. The balanced budget reflects a carefully constructed framework focused on limiting reliance on nonrecurring revenues, growing reserves, and targeting investment in key policy areas. While total expenditures declined by about 10% under this year's budget, largely due to lower federal support, the state continues to project moderate revenue growth and record-high reserves, including a Rainy-Day Fund that exceeds $2.2 billion.

The final budget prioritized investments in education, healthcare, infrastructure, and public safety, complemented by investments in emerging technologies. Significant funding also supports economic development initiatives aimed at sustaining long-term growth.

However, this year's budget was not without difficulty. An uncertain economic picture, coupled with ongoing concerns about inflation, revenue projections, and policy expansions, led to trade-offs. The General Assembly demonstrated more independence and a willingness to break from the Administration than in any other budget season in recent memory.

The final budget reflects significant legislative involvement, with legislators eliminating, reducing, and redirecting more than $200 million from the governor's proposal. The budget adopted by the General Assembly reduced the governor's proposed investment in the recently established disaster response fund by $55.8 million. Additional reductions from the governor's proposed funding measure included $10 million for rural development grants, $12 million for artificial intelligence initiatives, and $10 million for a planned update to the history wall located on the Bicentennial Mall, among others.

Most of these legislative reductions were made to provide $137 million in General Fund dollars to help hospitals, particularly rural hospitals, address uncompensated care. These funds will provide hospitals with additional flexibility to complete improvements, expand services, and help stabilize rural healthcare providers.

Legislators also chose to include funding for nonrecurring grants, many of which will benefit local communities, and to impose a new fee on certain international wire transfers.

Healthcare and Rural Hospitals
Healthcare is a prominent component, with major investments aimed at stabilizing rural hospitals and addressing rising healthcare costs, enabling hospitals to fund capital improvements and expand services, especially in underserved areas.

By allocating flexible funding for uncompensated care and capital improvements, the state hopes to strengthen access to care. Additional funding is directed to address TennCare cost increases and expand services for mental health, dental care, and vulnerable populations.

Family services investments further aim to reduce system strain, protect vulnerable populations, strengthen community-based care, and improve health outcomes statewide.

Education and Workforce Development
Funding supports public schools, increases teacher salaries, and expands school choice. Investments include facility improvements, student services, mental health, and summer learning programs. The budget also funds an additional 15,000 Education Freedom Scholarships, bringing the total available scholarships to 35,000. It also aligns higher education and workforce development programs with economic priorities and future industry demands.

Infrastructure, Housing, and Economic Development
Sustained investments in infrastructure and economic development are critical to enhancing the quality of life and to sustaining Tennessee's growth and competitiveness. Significant resources are directed toward infrastructure, transportation, aviation, and rail systems to improve connectivity, attract business investment, and promote economic expansion.

Additionally, housing initiatives target workforce affordability, while rural initiatives aim to promote economic opportunities. The budget also seeks to position Tennessee for long-term competitiveness through investments in artificial intelligence, nuclear energy, and quantum computing.

Community Services and Family Support
The budget includes funds for essential local services, including investments in children and families as well as investments to reduce caseload pressures, expand access to services, and improve outcomes for vulnerable populations. Additional funding supports volunteer fire departments, rescue squads, emergency medical services, cultural institutions and events, fairs, and senior programs.

Public Safety and Disaster Response
Funds are included for salary increases and the addition of another 50 state troopers and support staff. Funds also support the creation of the Tennessee Safe Initiative Task

Force within TBI, as well as public safety grants to enhance law enforcement capacity and targeted crime prevention initiatives.

The state has worked to position itself to provide more meaningful assistance to individuals, businesses, and communities immediately following natural disasters. The budget also includes funds to bolster the state's response capacity and provides additional grants to help those affected by Hurricane Helene. The construction of a new Army Aviation Support Facility to support the Tennessee National Guard is also funded.

Innovation and Advanced Industry
The budget seeks to position Tennessee as a leader in emerging technologies and to strengthen the state's long-term economic competitiveness through targeted investments in artificial intelligence, nuclear energy, and quantum computing. This investment in innovation aims to attract private capital and create high-wage jobs across advanced manufacturing, life sciences, and logistics.

Conservation and Culture
Funding for three new state parks and cultural institutions represents a commitment to preserving Tennessee's natural and cultural assets.

FISCAL CERTAINTY

Any legislation affecting a town or city's fiscal certainty is sure to capture the attention of local officials, and this year, there were two significant bills related to that topic.

Property Tax Cap
The first of these two bills marked the renewal of efforts to cap growth in annual property tax collections. **SB2064 / HB1873** sought to impose a two-part cap on annual growth in total property tax revenues.

Under the bill, a town's property tax revenues could not increase by more than the rate of inflation, plus 2% annually, or by more than the rate of inflation, plus 6% over a consecutive three-year period. The bill permits limited exceptions to the two-part cap, including growth in revenues attributable to new development and the amount of any debt service on bonds. Lastly, the bill provides that a city or town may exceed the cap only after the governing body approves a resolution by a two-thirds affirmative vote and a majority of residents voting in favor of exceeding the cap at a referendum.

TML opposed this legislation.

While the populist appeal of any tax reduction or limitation is hardly shocking, proponents have made artful use of percentages and cherry-picking data to create a picture that does not accurately reflect the current situation in cities and towns.

Tennessee’s property tax rates are among the lowest in the nation by any measurement, despite being one of the few states without a state and/or local income tax.

Tennessee’s municipal officials are fiscally conservative and take their obligation to be good stewards of public funds seriously. Taxes affect families, individuals, and businesses. No city official derives any pleasure from increasing taxes, and every effort is made to avoid doing so.

However, there are times when economic circumstances, coupled with federal and state requirements and residents’ demands and expectations, require an increase that cannot be avoided. The truthfulness of these statements is borne out by the facts. Tennessee has 345 municipalities. Analyzing the 10 most recent years of available property tax data, 177 cities and towns have a lower property tax rate today than they did a decade ago. In 6 cities and towns, the tax rate remains the same today as it was 10 years ago. Currently, 75 cities and towns do not levy a property tax. In short, 3 out of 4 cities in the state either have no property tax or have not increased their property tax rate in more than 10 years.

Supporters of a cap have also conveniently ignored that implementing a statewide cap on property tax revenues will have consequences. Enacting a cap would restrict the primary and most reliable revenue source for most cities and towns, reduce flexibility to respond to unanticipated needs and economic downturns, hinder responses to growth, and undermine our economic competitiveness. If enacted, a cap could also lead to more frequent, if not annual, increases in property tax rates statewide.

Additionally, a cap would likely lead local governments to make full use of any other available taxes and fees. For example, a city might choose to increase its local option sales tax rate to the maximum allowable rate, or a town that has yet to adopt the state-sanctioned local business tax might impose one. Therefore, a cap could inadvertently expand the scope of applicable taxes and fees, thereby increasing the overall local tax burden on residents.

Moreover, the bill’s exception for debt service would likely entice more local governments to increase borrowing to keep planned capital projects on pace, rather than funding them on a pay-as-you-go basis. This increased borrowing would come at a higher price for residents, as a cap would also have an immediate impact on the market, increasing rates and the cost of borrowing borne by taxpayers. A cap would also include the additional risk of federal fines or the loss of state-shared revenues or grants due to a town's inability to comply with federal and state mandates.

The property tax cap bill was first considered by the House Cities and Counties Subcommittee, which amended it to alter the permitted rate of growth before adopting the legislation. The amended version approved by the House Subcommittee would have prohibited year-over-year growth in property tax revenues that exceeds inflation plus 3% or exceeds inflation plus 12% over the 4 preceding years.

Following the subcommittee's adoption, the House State and Local Government Committee deferred further consideration for several weeks. The Senate State and Local Government Committee was the next body to consider the bill. Unlike the House sponsor, who chose to amend the bill's growth rates, the Senate sponsor elected to move forward with the original language.

In the hours leading up to the Senate Committee's consideration, outside groups worked with committee members to craft what was called a compromise amendment. Your TML team worked with city officials and our county counterparts to thwart these efforts by making sure senators were aware of the shortcomings and consequences of both the so-called compromise and the original bill.

Unable to secure the votes needed for passage, the Senate sponsor sent the bill to the General Subcommittee, thereby halting further Senate consideration for the year. With the property tax cap bill's fate assured in the Senate, the House sponsor took the bill off notice, formally precluding enactment in either chamber in the 2026 session.

Although not part of the conversation, another bill was introduced that merits brief discussion. This bill proposed to eliminate the local property tax. The lost local revenue was to be replaced by payments from the state, funded by a 4% increase in the state sales tax. There are numerous problems associated with the legislation, but two problems stand out above all others and undermine the viability of this approach.

First, the bill assumes the General Assembly is willing to take on political responsibility for increasing the state sales tax rate by 36%.

Second, the bill assumes the state will distribute all revenue from the new levy and any subsequent increases to cities and counties as needed, regardless of changes in the state's fiscal condition. It's hard to imagine a scenario under which the General Assembly commits to increasing the sales tax and committing all associated revenues to cities and towns in perpetuity.

Annual Certification of Population and Shared Revenues
Another example of legislative activity related to fiscal certainty arose from concerns regarding the implementation of **SB875 / HB780**. Enacted in 2025, this legislation requires annual certification of municipal populations.

The Comptroller raised concerns about the severity of anticipated reductions in shared revenues some cities and towns will realize, as well as the inadequacy of the statutory timeframe for certification under last year's bill.

Currently, the certified population is established every 10 years in conjunction with the federal decennial census. The current practice of maintaining a fixed population for a decade provides certainty, allowing cities and towns to reasonably anticipate shared revenues for budgetary purposes. However, the current law does not treat cities and towns that experience population growth during the 10-year period between federal censuses fairly. Revenues are shared on a per capita basis to recognize contributions to state revenues and to align with service demand.

The 2025 legislation altered the current process to address this inequity and provide more immediate relief to growing cities. While this policy shift may have addressed the inequitable treatment of fast-growing municipalities, the suddenness and magnitude of the anticipated reduction in shared revenues for cities and towns that have seen their population decline since 2020 sparked new concerns about inequity.

Beginning July 1, 2026, the University of Tennessee's Boyd Center will provide revised population estimates to the Tennessee Department of Economic and Community Development (ECD) annually for certification. This mid-decade policy shift will certainly alter the distribution of state revenues shared on a per capita basis. Based on estimates prepared in April 2026, about 62% of cities are projected to see a reduction in shared revenues, while nearly 38% of cities are projected to see an increase. These projections indicate the change in shared revenues will range from 0.2% at the low end to 43% of their current distribution. The estimates suggest that most cities and towns will see either a slight increase or a slight decrease. However, some municipalities will certainly experience significant increases or decreases under these April projections.

Those realizing significant revenue gains will be better positioned to respond to the pressures associated with the population increase since the 2020 Census. Conversely, those losing revenue will have to find a way to offset sudden losses simply to maintain current service levels and meet existing expenditures and obligations.

Again, it must be noted that these percentages and numbers of cities and towns are estimates based on projected populations as of April 2026. These estimates were based on the best information available at the time and were prepared to provide some guidance to those contemplating changes to the law. These estimates will be further refined by subsequent data releases and analysis prior to certification in July 2026.

In addition to the potential harm from a sudden decrease in shared revenues, TML, the Comptroller, and many municipalities expressed concerns about the timing of the certification. The 2025 law requires ECD to certify annual populations by July 1. However, as the new fiscal year begins on July 1, a city or town will have to adopt a budget without knowing how a change in its certified population might affect the amount of shared revenues received. This is particularly relevant in the first year of implementation when there is no experience with mid-decade certifications or a known model to follow. Accordingly, it would be easy for a town to either overstate or understate its anticipated increase or reduction in shared revenues. Neither of these is ideal and could leave a city with a budget that is balanced upon adoption but that subsequently carries a deficit.

An effort was undertaken to revisit and revise the 2025 law to address the substantial reduction in shared revenues projected for some cities and towns, as well as the timeliness of newly certified populations. Initially, TML coordinated with the Comptroller and some of the cities and towns most adversely affected by the mid-decade shift to propose short-term supplemental state appropriations. These supplemental payments would be equivalent to a percentage of the revenue reduction, helping to smooth the loss over a few years. Cities and towns anticipating increases in shared revenues would be unaffected and would receive the expected increases beginning July 1, 2026.

Additionally, this proposal required ECD to provide interim population estimates by April 1 and a final certification by July 1 of each year. The addition of the requirement for an interim estimated population report would ensure cities and towns receive a number earlier in the budget process to guide projections and preparations.

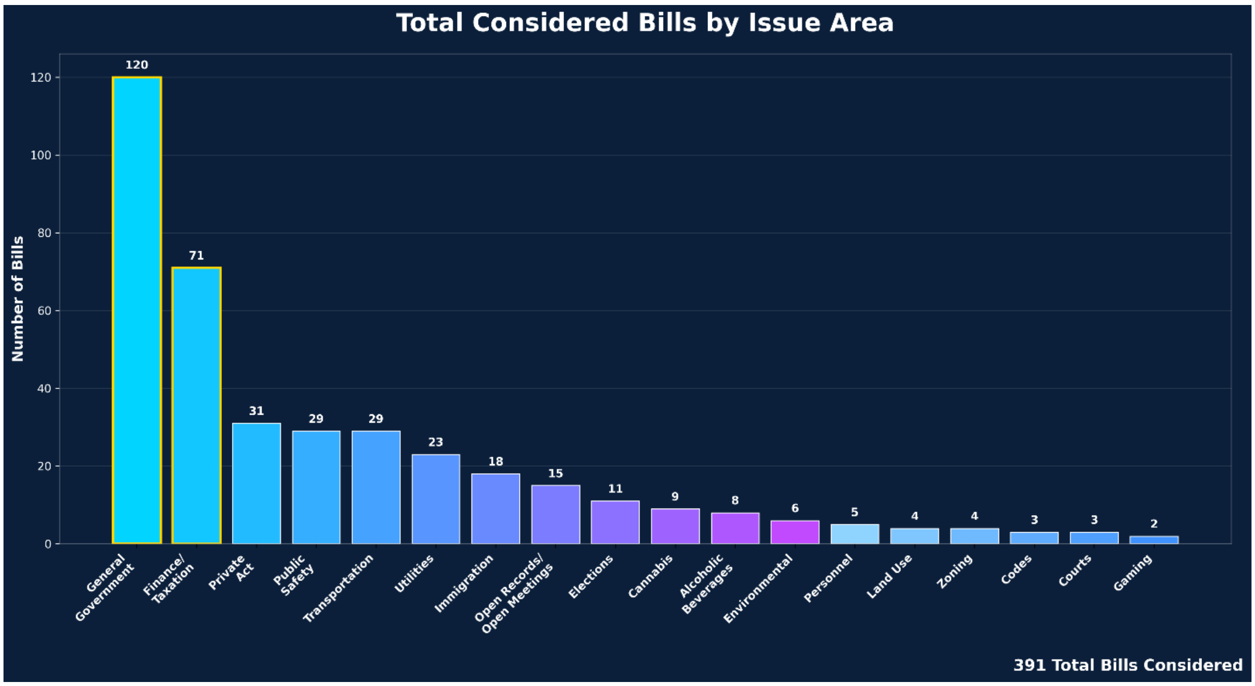
Unfortunately, neither the Senate nor the House chose to fund this proposal. Absent a path to additional funding or any other means to stabilize revenues, the Senate sponsor of SB2200/HB2181, who represents several cities forecasted to see a significant reduction in revenues, proposed an amendment that was adopted by the Senate State and Local Government Committee. The amendment delayed the July 1, 2026, implementation date until July 1, 2031, a year after the 2030 Census. While this would have provided relief to any city or town projected to see a reduction in shared revenues after July 1, 2026, growing municipalities would have to contend with mounting pressures and costs for another 5 years without significant increases in shared revenues. Thus, the amendment adopted by the Senate committee would restore the status quo without addressing the underlying inequity that led to the enactment of the 2025 law.

TML sought a solution and began advocating for an approach that would provide additional time for cities and towns to receive formally revised populations, understand the impact of these revisions, and prepare for what is coming. However, your TML team also understood that any delay in implementing the 2025 law should not be long enough to exacerbate the challenges that growing cities and towns face. In the final hours of the legislative session, interested parties began to coalesce around the idea of proposing an amendment to delay implementation for one year and to add a requirement for an interim report on estimated population by April 1 of each year.

Ultimately, the amendment failed to pass in the House Budget Subcommittee. Thus, all efforts to provide a timelier estimate of annual population certifications, to offer temporary assistance, or to delay implementation of the 2025 annual certification law were unsuccessful. Consequently, cities and towns will receive mid-decade certified populations by July 1, 2026, and each year thereafter, which will dictate the amount of shared revenues received in subsequent fiscal years.

RECURRING THEMES

In addition to these bills that affect cities' fiscal certainty, several recurring themes ran through various pieces of legislation affecting cities and towns. One such theme reflected the ongoing push-and-pull of ideas and blame tied to the increase in the state's population.



Growth Legislation

Tennessee's population growth rates remain among the highest in the nation. As individuals and families relocate to Tennessee, farms, woodlands, and open spaces are lost to development. Increased demand for homes raises the cost of existing housing inventory. The increased development requires more infrastructure, services, and retail and commercial businesses to meet increased demand.

New growth refocuses existing planning within cities and towns and invites calls from residents to preserve character and aesthetic qualities. Growth occurring outside towns leads to demands for containment. All these factors inevitably lead to differing opinions driven by conflicting interests and competing priorities. Home builders, commercial developers, farmers, municipal residents, and rural residents each have their own myopic views of events, circumstances, and preferences, which are increasingly evident in legislation.

This dynamic played out again this year. The tensions surrounding the ongoing development necessitated by our state's growing population were evident in legislation that would transform vesting rights and, in general, preclude the adoption and implementation of ordinances, policies, and standards essential to managing growth.

While the changes to vesting and compensation represented the most significant of these changes contained in a single piece of legislation, several bills related to the installation of infrastructure and deployment of utilities, when considered together, signal a trend that is equally concerning and disruptive. Together, these utility bills would impose new obligations, transfer costs from developers to taxpayers, dictate planning decisions, reduce a city's control over its assets, impair service delivery, and undermine efforts to manage growth.

Additionally, these tensions also underlined bills seeking to empower counties to bar annexations and to unilaterally negate existing zoning and planning authority. These tensions were also evident in several bills that sought to shorten the time allotted for certain local reviews and inspections, to deem plans approved, and require refunds if new deadlines and requirements are not satisfied.

As we have seen in recent years, the hint of making homes more affordable was the underlying justification for many of the bills addressed below.

SB564 / HB803: Wastewater and Sewerage Systems
Affects how Tennessee cities and utilities manage decentralized wastewater treatment systems, especially those using land application.

First, the legislation creates new procedural, financial, and operational responsibilities for local governments, wastewater utilities, and developers. The law establishes firm timelines for state-approved engineering plans, requiring construction to begin within 12 months unless extensions are granted, with a maximum cumulative approval period of 60 months.

Second, the legislation formalizes the relationship between developers and local wastewater utilities when new subdivisions or neighborhoods propose private treatment works. Utilities must now respond within 30 days to requests to assume ownership and operational responsibility for proposed systems. If a utility declines, it must formally notify both the developer and the Tennessee Board of Utility Regulation. Importantly, utilities that refuse ownership cannot retaliate by restricting other utility services.

Third, the bill includes mandatory performance bonding provisions. Once at least 50% of a development has received occupancy permits, developers are required to post a bond equal to 100% of the replacement cost for the first two years of operation. Operators must then maintain a 50% replacement-cost bond from years three through ten.

Fourth, before ownership or operational transfers occur, utilities and developers must demonstrate regulatory compliance, operational readiness, current licensing, and adherence to environmental standards. Developers must also demonstrate that their systems meet or exceed either TDEC's minimum treatment standards or the actual standards achieved by comparable systems within the same utility network.

Finally, the legislation expands TDEC's enforcement authority by preventing permit approvals or expansions for decentralized wastewater operators who are not substantially compliant with existing enforcement orders.

This legislation was enacted.

SB866 / HB734: Statutes of Limitations and Repose for Property
Revises Tennessee's statute of repose for construction-related claims involving improvements to real property to create greater legal certainty and earlier resolution of disputes.

The legislation primarily affects how long municipalities, utilities, property owners, and contractors may be subject to legal exposure for alleged defects in public or private construction projects. Under current law, Tennessee generally requires lawsuits for construction defects to be filed within four years after substantial completion of a project, but the statute has historically focused mainly on court actions. This bill expands the language to expressly include "arbitrations or other binding dispute resolution proceedings," ensuring that alternative dispute resolution methods are subject to the same four-year limitation period. This change closes a procedural gap that could previously have allowed parties to pursue arbitration claims outside the traditional litigation timeframe.

The bill provides greater certainty and predictability regarding long-term liability exposure on public works projects such as roads, utilities, drainage systems, and municipal buildings.

On one hand, local governments and municipal utilities may benefit from reduced risk of delayed construction claims and more consistent enforcement of project closeout timelines. On the other hand, the change may also serve to limit recovery opportunities for cities and towns that discover latent construction defects after the four-year period expires. Overall, the act favors greater legal certainty and earlier resolution of construction disputes, while encouraging municipalities to consider strengthening inspections, monitoring, and project oversight to increase the likelihood of identifying and addressing deficiencies more quickly.

This legislation was enacted.

SB1045 / HB608: Builder/Development Requirements
Prohibits the state or a local government from requiring a builder or developer of real property to pay for the building or development of infrastructure that is nonessential to the development, maintenance, or growth of the builder's development property. This bill marks developers' third attempt to remove responsibility for public infrastructure related to development and to pass the cost to taxpayers.

Local governments generally possess broad authority through subdivision regulations, development agreements, zoning conditions, and permitting processes to require infrastructure improvements for new residential and multi-family developments. In addition to this statutory authority, local government efforts in this area are governed by case law, including the U.S. Supreme Court's Nollan-Dolan framework. Pursuant to this authority and guided by these legal limitations, cities and towns often require developers to contribute to off-site road widening, traffic signal upgrades, utility extensions, drainage improvements, or other regional infrastructure needed to address the cumulative impacts of new development.

The bill seeks to restrict local governments from requiring developers to fund infrastructure beyond what is considered essential at the beginning of the project. The bill's attempt to limit the application of current authority to only "essential" infrastructure is vague and will invite exploitation and litigation. In addition, restricting the application of the law to only those improvements known at the beginning of the project will eliminate the flexibility local governments may need to adjust a developer's responsibilities as a development evolves and requires additional improvements.

Consequently, this bill reduces local control over growth management and long-term infrastructure planning, shifts costs currently borne by the developer to taxpayers.

This legislation was sent to summer study.

SB1685 / HB1657: Zoning
Amends Tennessee's zoning grandfathering statute governing nonconforming industrial and commercial properties to significantly reduce local government discretion in regulating expansion of such properties.

Currently, nonconforming properties may expand only when the expansion is "necessary to the conduct" of the business or industry. Thus, cities evaluate whether a proposed expansion is truly necessary for continued business operations before allowing enlargement of a grandfathered use. This evaluation limits incompatible growth and preserves long-term land use planning objectives. By removing the requirement that expansions must be "necessary to the conduct," this bill makes it easier for businesses to expand nonconforming structures or operations.

Additionally, by deleting several procedural and substantive limitations intended to balance property rights with local zoning authority, the bill strengthens protections for nonconforming uses while limiting local regulatory oversight. Consequently, cities may face increased challenges when attempting to deny or condition expansions of older commercial or industrial sites that no longer conform to current zoning plans or surrounding land uses.

If the bill were enacted, nonconforming businesses would gain broader expansion rights that could prolong or intensify uses local governments had anticipated would gradually diminish, thereby complicating redevelopment efforts, corridor planning, and neighborhood compatibility initiatives.

This legislation was taken off notice and did not become law.

SB1771 / HB1720: Growth Authority
For more than two decades, many Tennessee cities and towns have exercised planning and zoning authority within their Urban Growth Boundary (UGB) to manage growth, ensure compatible land uses, and require infrastructure standards that are consistent with future municipal service expectations. This authority has been granted by the state and exercised with the consent of the affected county. This tool has helped cities coordinate transportation, utilities, stormwater systems, and development standards in areas likely to be annexed, reducing future infrastructure costs to taxpayers.

Because the annexation law now requires either the property owner's consent or approval at referendum before annexation can occur, future annexation has become far less certain. This legislation recognizes that some property owners outside city limits may no longer expect or desire annexation and may question why municipal standards should apply if they are not a city resident and have no interest in becoming part of the city.

At the same time, the legislation limits municipal authority over zoning and infrastructure standards in areas where such authority currently exists, which may create challenges related to incompatible development patterns, utility coordination, stormwater management, roadway planning, fire protection, and long-term infrastructure costs.

TML worked with the bill's sponsors to address these concerns and the final version includes several changes.

While counties retain the ability to unilaterally determine whether a city may continue to exercise zoning and planning authority over areas outside the city, the bill provides for interlocal wind-down and project completion agreements. Such agreements are intended to ensure city-county coordination of ongoing development, infrastructure obligations, utility services, and roadway improvements in those counties that choose to end this authority.

These agreements provide cities and counties with a structured process for negotiating infrastructure standards, cost recovery, inspection responsibilities, and long-term service commitments while avoiding abrupt disruptions to development and public services. However, these agreements are authorized but not required. As such, a county could choose not to enter into such an agreement, leaving little hope of any coordination or cooperation on ongoing projects and developments or on street and utility compatibility.

The final version also requires property owners within Urban Growth Boundaries to declare whether they intend to seek annexation when submitting plats or permit applications. If annexation is intended, development must comply with municipal standards. If annexation is declined, future annexation may occur only if the property owner agrees to pay special assessments necessary to upgrade infrastructure to city standards. This provision helps ensure that future annexed properties either meet municipal requirements upfront or contribute fairly toward future infrastructure improvements needed to protect taxpayers and maintain public safety and service quality.

The amended legislation was enacted.

SB1784 / HB1760: Building Inspections
Amends the law governing the use of third-party inspectors for locally required building inspections to provide clearer delineation of responsibilities between local governments and private inspectors, which may reduce conflicts, duplicate inspections, or disputes over jurisdiction during construction projects.

Under current law, property owners and contractors may utilize qualified third-party inspectors in place of local government inspectors for certain building inspections authorized by statute. This legislation clarifies that once a third-party inspector is selected by a property owner or contractor and engaged for a specific inspection category, all subsequent inspections in that same category must also be completed by a third-party inspector.

The bill preserves municipal authority over separate inspection categories. If a developer uses a third-party inspector for one locally required inspection category, the city retains responsibility for unrelated inspection categories. For example, a municipality could still perform electrical or plumbing inspections if the third-party inspector was initially retained only for structural inspections.

This legislation was enacted.

SB1793 / HB2518: Recycling
Revises Tennessee's approach to recycling market development by restructuring and expanding the duties of the Office of Cooperative Marketing for Recyclables and creating a new Recycling Market Development and Diversion Advisory Council.

Supporters contend the legislation will improve marketing, coordination, and planning, enhancing development of recycling markets and improving local recycling opportunities.

The legislation broadens the role of the Office of Cooperative Marketing for Recyclables within the Department of Environment and Conservation by directing the office to actively market recyclable materials to industry, support regional recycling initiatives, coordinate with economic development agencies, and maintain statewide databases and directories to strengthen Tennessee's recycling marketplace.

In addition, the bill creates the Recycling Market Development and Diversion Advisory Council. This new council includes representation from municipal and county solid waste directors, private industry, trade associations, conservation organizations, state agencies, and legislators. The council is charged with studying recycling markets, identifying best practices, advising on public education efforts, promoting regionalization, and developing recommendations for future legislative or executive action.

The bill establishes a statewide framework to help local governments identify markets for recyclable materials, participate in regional recycling partnerships, and access technical and economic development resources. While it expands coordination, planning, and information-sharing efforts, it does not impose new regulatory requirements on municipalities. These changes could improve the efficiency of recycling programs, increase revenue from recyclable materials, and help reduce the costs associated with collection and processing.

This legislation was enacted.

SB1908 / HB1837: Compensation for Property Value Loss
Once again, the Tennessee Home Builders Association initiated legislation creating a legal mechanism by which property owners and their descendants of property owners could demand compensation for a perceived loss of property value for a land-use decision.

TML adamantly opposed this legislation and worked with counties to prevent its passage. As has been the case in previous sessions, committee consideration of this legislation extended over many weeks.

This legislation would fundamentally change how regulatory takings claims are evaluated by replacing the traditional case-by-case judicial analysis with a broad statutory framework that presumes compensation may be owed when government actions reduce property value. Rather than relying on courts to determine whether a particular regulation constitutes a compensable taking based on established constitutional standards, the bill creates a new statutory cause of action that allows property owners to seek compensation in addition to existing constitutional and legal remedies.

The legislation focuses primarily on ownership and alleged loss of value, rather than whether a property owner had a specific intended use for the property or took steps to pursue that use, significantly expanding the circumstances under which claims may be brought. The bill transforms routine zoning, land-use, and planning decisions into potential financial liabilities.

Cities could be required to compensate property owners for reductions in property value resulting from regulations that are otherwise lawful and consistent with long-recognized planning and zoning authority. Thus, the legislation effectively imposes financial consequences on municipalities for exercising powers that state law and the Tennessee Constitution have traditionally authorized and expected local governments to perform in managing growth, protecting public welfare, and implementing land-use policies.

The bill also creates substantial litigation and financial risks for local governments. It establishes a new pathway for compensation claims, shifts the burden to cities to prove that a regulation falls within an exemption or did not cause the alleged loss in value, and requires courts to construe the law in favor of compensation. In addition, if a city is unsuccessful in defending a claim, it may be required to pay the claimant's attorney's fees and litigation expenses. The legislation further creates retroactive liability by allowing claims based on regulations adopted within the three years preceding enactment, potentially exposing cities to financial obligations for decisions that were lawful and made in good faith under the laws in effect at the time.

Taken together, the legislation expands compensation rights beyond existing constitutional protections, increases litigation opportunities, imposes retroactive liability, and creates financial exposure for routine planning decisions. The cumulative effect of these would be increased legal uncertainty, higher public costs, and reduced flexibility to respond to changing community needs by updating zoning regulations, adopting growth-management policies, or making planning decisions that support long-term community development and infrastructure needs.

This legislation was taken off notice and did not become law.

SB2057 / HB2385: Sewer Service Connections
Expands the circumstances under which wastewater utilities must provide sewer service connections to property owners by requiring utilities to provide service where force main access is technically feasible.

Currently, wastewater providers are generally required to allow connections when an existing gravity sewer line is located on or adjacent to the property and is accessible through a public right-of-way or easement. Gravity sewer lines are designed for direct customer connections, and compliance with current requirements is not an issue. However, this legislation broadens that requirement by adding a second category of mandatory service connections. Under the bill, a wastewater provider must also allow connections when an existing sewer force main is located on or adjacent to the property and can be accessed using technology designed for that purpose.

Unlike gravity lines, force mains are pressurized transmission lines and not traditionally intended to serve individual properties. Therefore, a wastewater operator will be required to evaluate whether available technology makes a force-main connection feasible and, if so, provide service upon request. Such a determination may require the development of new engineering standards, connection policies, and cost-recovery mechanisms for force-main tapping technologies. This change may also increase the review, design, and maintenance requirements to ensure that new connections do not adversely affect system capacity, reliability, or regulatory compliance.

This legislation was enacted.

SB2191 / HB2386: Offsite Public Improvements
Creates a statewide requirement that any offsite public infrastructure improvement required by a political subdivision must be supported by a cost-sharing arrangement based on the proportionate impact of the proposed development. This bill is similar to other legislation introduced this session and in past years that involves dedications and offsite improvements.

Local governments often require developers to fund the construction of water lines, street improvements, traffic signals, stormwater facilities, utility extensions, or other offsite public infrastructure improvements associated with a private development project.

Under the bill, local governments will have 60 days after receipt of a development application to determine whether an offsite public improvement is necessary. When a city determines that an offsite improvement is necessary to serve future development, the municipality must participate in a cost-sharing arrangement and may only require the developer to pay a proportionate share based on the development's actual utilization or impact on the infrastructure.

This legislation was enacted.

SB2213 / HB2381: Utility Infrastructure
Modifies Tennessee law governing when private parties construct utility infrastructure that will ultimately be connected to or dedicated to a municipal utility system.

The first modification relates to the pricing of utility-supplied construction materials. Under the change, if a material required for utility infrastructure construction is available only from the utility, the utility must provide the material at the same price the utility paid to acquire it, may not charge additional taxes beyond those actually paid by the utility, and must provide an itemized statement of material costs.

Another modification states that municipal utilities may no longer require third-party contractors to install streetlights as part of a utility infrastructure project. The third modification under the bill seeks to cap the total cost of design review, inspection, and testing fees associated with utility infrastructure projects at 10% of the proposed project cost.

This legislation establishes additional protections for customers and developers by regulating the pricing of utility-supplied materials, limiting certain utility requirements, and capping review and inspection fees for utility infrastructure projects.

This legislation was enacted.

SB2237 / HB2552: Development Review Timelines
Changes how local governments process development applications and release development bonds by establishing mandatory review timelines and creating automatic approval consequences for missed deadlines. Governor Lee proposed this legislation to provide predictability and faster approvals for developers, making projects more affordable for developers and prospective owners.

Generally, this legislation creates statewide standards requiring local governments to act on development applications, development plans, and site inspections within specified timeframes. If a local government fails to approve, identify deficiencies, request additional information, or place the matter on the appropriate agenda within the statutory deadlines, the submission is deemed approved by operation of law.

Specifically, local governments must provide a written deficiency report or request additional information within thirty business days and generally must approve the submission or place it on the next available agenda within sixty business days. Additionally, municipalities may issue no more than two written reports of deficiencies. If deficiencies remain unresolved after a second report, the city must either deny the application with specific written justification and refund 50% of the review fees, or conditionally approve the project.

The legislation also changes how municipalities manage development bonds and project completion guarantees. When an independent inspection by a licensed professional engineer determines that the required improvements have been completed, the local government must either approve the bond release or place the matter on the next available agenda within 120 business days. Alternatively, if it is determined that contractual obligations remain incomplete, the city must provide written notice within 20 business days identifying the specific contractual obligations that remain unsatisfied.

TML participated in several conversations with the Lee administration and coordinated with planning professionals and the Tennessee County Services Association on several proposed amendments. While the discussions and proposed amendment resulted in some positive changes to the bill, TML remains concerned that limiting deficiency reports and imposing rigid timelines may lead to more denials, delay projects, and potentially increase costs for both the city and the developer.

This legislation was enacted.

SB2311 / HB2419: Annexation Approval
Requires municipal annexations to receive approval from the county legislative body before an annexation ordinance may be adopted.

Today, annexations generally occur through owner-initiated requests or by majority vote at referendum. These annexation statutes were substantially revised to ensure that property owners could decide whether they wish to become part of a municipality and receive municipal services.

Under the bill, municipalities are required to submit a financial impact study and statement of financial viability to the county and obtain approval by a majority vote of the county legislative body before most annexations can proceed. Counties would have at least sixty days to review the proposal, and if approval is not granted within ninety days, the annexation is automatically denied. This effectively gives counties veto power over annexation requests.

This proposed legislation is contrary to the policy objectives that led to Tennessee's current annexation framework. Under the legislation, a property owner who affirmatively seeks annexation could be prevented from doing so solely on the basis of county opposition or inaction. As a result, the bill transfers decision-making authority from the property owner to the county legislative body, regardless of the affected landowner's wishes.

This legislation failed in the House State and Local Government Committee.

SB2551 / HB2134: Municipal Solid Waste Restrictions
Restricts local governments' ability to dispose of municipal solid waste in landfills located outside their jurisdiction by requiring a host community agreement with the county or municipality where the landfill is located.

Under the proposal, a county, city, or other political subdivision could not dispose of waste at an out-of-jurisdiction landfill unless the host community affirmatively approves the arrangement through a formal agreement. In addition, solid waste planning regions and counties are prohibited from approving or permitting the disposal of out-of-county waste at a landfill without such an agreement. These requirements would apply to contracts for solid waste disposal entered into on or after July 1, 2026.

Supporters maintained that host community agreements were necessary to ensure local control and provide compensation for communities hosting landfills. They argued that requiring local approval could help address the impacts associated with landfill operations and provide a mechanism for host communities to negotiate compensation or other benefits for accepting waste from outside jurisdictions.

However, opponents expressed concern that the legislation does not adequately account for Tennessee's population growth, especially in Middle Tennessee, where rapid residential and commercial development is increasing municipal solid waste volumes while existing landfill capacity continues to decline. Because waste generation and disposal capacity do not align neatly with jurisdictional boundaries, cities often rely on regional landfill systems, and restricting access to that capacity could make waste management more difficult and costly.

Opponents also emphasized that new landfill capacity cannot be developed quickly enough to address near-term shortages because siting and approval require years of studies, permitting, land acquisition, public hearings, and regulatory review, often amid significant local opposition. As a result, municipalities could face higher disposal costs, fewer disposal options, and greater uncertainty in long-term solid waste planning.

This legislation was taken off notice and did not become law.

Immigration
Another consistent thread of the session was the continuation of the General Assembly's effort to establish the framework, processes, and requirements necessary to facilitate coordination between state entities and federal authorities to enforce immigration laws.

Nearly 20 separate immigration bills were introduced this year. About half of those bills comprised a designated package of initiatives addressing a variety of topics and entities. Some measures imposed new requirements on local governments, including verifying citizenship status, reporting costs, honoring court and federal detainer orders, entering into certain agreements with state and federal entities, and maintaining the confidentiality of certain records.

SB1464 / HB2506: Confidentiality Protections
This bill significantly expands confidentiality protections related to immigration enforcement activities and imposes new criminal penalties for the improper disclosure of protected information. Supporters insist this legislation is necessary to enhance officer safety and protect the integrity of immigration enforcement operations.

This legislation creates new statewide confidentiality requirements for both state and local governments, protecting personal identifying information of officers involved in immigration enforcement and operational information related to future immigration enforcement activities. The legislation also expressly preempts any local policy or procedure that conflicts with these new confidentiality requirements, reducing local discretion in responding to public records requests involving immigration enforcement.

The most significant change from the current law is the creation of criminal penalties and potential removal from office for improper disclosures. Under the bill, a state or local government official who acts with criminal negligence in releasing protected immigration-enforcement information may be charged with a Class E felony and may be subject to ouster from office.

The bill also expands criminal penalties for the release of certain confidential law enforcement information and strengthens protections for undercover officers by allowing their identities to remain confidential during undercover assignments and for a reasonable period thereafter when disclosure would create safety concerns.

This legislation was enacted.

SB1915 / HB1710: Verifying and Reporting Status
This legislation expands Tennessee's requirements for verifying and reporting immigration status when individuals apply for public benefits and extends those requirements to local governments. The bill also imposes new monetary and criminal penalties associated with these requirements. Thus, these changes substantially expand municipal responsibilities in an area historically administered primarily by state agencies and local health departments.

Beginning July 1, 2026, local governmental entities must verify the citizenship or lawful presence of applicants aged 18 and older seeking federal, state, or local public benefits, except where prohibited by federal law (education). "Public benefits" are defined as any grant, contract, public or assisted housing, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a State or local government or by appropriated funds of a State or local government. Additionally, public benefits include retirement, health, disability, or unemployment benefits paid by local government.

Accordingly, local governments must collect and maintain documentation verifying eligibility for public benefits and terminate recurring benefits if final verification determines that a recipient is not lawfully present in the United States. Local governments are required to report to the State's Centralized Immigration Enforcement Division individuals who are determined not to be lawfully present in the United States and who receive public benefits.

In addition, the Attorney General is authorized to investigate credible complaints that a local government is not complying with the law. If noncompliance is found, the Attorney General may pursue enforcement actions that could result in the withholding of state funds, including grants, contracts, and state-shared tax revenues. The legislation further creates criminal penalties for employees or officials who knowingly fail to make required reports, classifying such conduct as a Class A misdemeanor.

This legislation was enacted.

SB1922 / HB1705: E-Verify Requirement
Establishes a statewide requirement that all state and local government employers use the federal E-Verify system to confirm the work authorization status of newly hired employees and includes potential monetary penalties for noncompliance.

While local governments currently verify work authorization, not all cities and towns utilize E-Verify for this purpose. Beginning July 1, 2026, cities may not hire or appoint a prospective employee without first verifying work authorization through E-Verify.

Municipalities that currently rely on alternative employment verification methods or third-party Form I-9 vendors may continue those arrangements only until January 1, 2027, after which direct compliance with the E-Verify requirement becomes mandatory. The legislation further requires municipalities to maintain documentation of E-Verify inquiry results for every employee verified through the system throughout the duration of employment.

The legislation also authorizes the Attorney General to investigate credible allegations that a city, county, or local education agency has failed to comply with the E-Verify requirements. If noncompliance is found, the Attorney General may pursue enforcement actions that could result in the withholding of state funds, including grants, contracts, and state-shared tax revenues.

This legislation was enacted.

SB1952 / HB1707: Court Requirements
Requires Tennessee courts, including municipal courts, to cooperate with federal immigration authorities in enforcing federal immigration laws and imposes a disciplinary consequence on judges found to obstruct such activities.

Prior to enactment, courts and judges were generally governed by existing constitutional, statutory, and judicial ethics requirements, but this law requires cooperation with federal authorities and provides that judges who obstruct lawful immigration enforcement operations may be referred to the Board of Judicial Conduct for investigation and possible disciplinary action.

Although the act is directed primarily at courts and judges rather than municipal governments, cities may need to monitor its impact on local judicial proceedings, law enforcement practices, and interactions between local institutions and federal immigration authorities.

The legislation was enacted and is scheduled to terminate on February 1, 2029.

SB2108 / HB1711: Reporting Framework
Establishes a statewide reporting framework to identify and calculate the cost of public services provided to individuals who are not lawfully present in the United States and requires the Commissioner of Finance and Administration to develop a process for compiling this data and reporting the total cost to the state.

Under current law, state and local entities may collect certain information in specific contexts, such as criminal justice or public benefits eligibility, but there is no broad, coordinated process that requires agencies, schools, healthcare providers, law enforcement, and grant recipients to report costs across multiple service areas.

The bill creates new reporting and administrative responsibilities for local governments, including tracking the number of individuals applying for local public benefits who are determined not to be U.S. citizens or qualified aliens, reporting final verification results, identifying terminated recurring benefits, and calculating the cost of providing those benefits. This represents a significant change from current law, under which municipalities are not required to collect or report such immigration-status-related cost data.

The legislation also affects education, requiring LEAs and public charter schools to report student documentation data. Additionally, law enforcement agencies must verify citizenship status for persons charged or convicted to the District Attorneys General Conference.

This legislation was taken off notice and did not become law.

SB2223 / HB2219: Law Enforcement Participation in 287(g)
As originally filed, this bill would have required every chief of police and sheriff to enter into an agreement with federal immigration enforcement officials to participate in the federal 287(g) program.

This would have replaced the current permissive or discretionary authority with a mandate to participate in the federal 287(g) program, requiring chiefs of police to enter into agreements with federal immigration authorities under the Task Force Model.

Accordingly, municipal police officers would be expected to identify and report those not charged with crimes but believed to be in the country illegally. Additionally, selected officers would exercise limited immigration authority on ICE-led task forces. This requirement would have imposed additional financial, operational, and legal burdens on municipal police departments and added responsibilities for officers, which would have been only partially offset by federal funds.

As amended, the legislation applies only to sheriffs' departments. Beginning July 1, 2026, a sheriff must enter into an agreement under the federal 287(g) program.

This legislation was enacted.

Expanded State Activity
Another theme of the session was an apparent desire to employ the state's authority more broadly into areas that have traditionally been the domain of locals. While preemption legislation has become more common, several bills have gone beyond what we typically see.

For example, there were bills that expanded or took over appointments to local boards. Additionally, legislators pursued bills that would restrict local governments from seeking legal relief for their communities and residents.

Bills were also enacted that created redundant state processes and reviews of local decisions stemming from the basic authority granted to local governments.

Similarly, the General Assembly adopted legislation establishing a state law enforcement presence in certain areas, with defined authority and oversight responsibilities.

SB1467 / HB1484: Memphis Safe Task Force Accountability
The Memphis Safe Task Force Accountability Act establishes new state oversight and reporting requirements for prosecutorial decisions involving cases generated by the Memphis Safe Task Force or certain federal violent-crime task forces. This legislation requires district attorneys in affected judicial districts to submit reports whenever they enter into a plea agreement, reduce or dismiss charges, or decline to prosecute

involving specified serious offenses arising from these task forces. Reports must be provided to multiple state and federal officials and apply to qualifying charges filed on or before June 30, 2028.

Proponents argue the bill creates an additional accountability mechanism tied directly to law enforcement operations that involve substantial state and federal participation. They contend this legislation is needed to ensure that cases generated through these specialized enforcement initiatives are tracked and reviewed at the state level.

Moreover, by requiring reporting whenever prosecutors alter or decline charges involving serious offenses such as homicide, firearm felonies, felony drug crimes, gang offenses, sexual offenses, organized retail crime, and RICO violations, the legislation promotes transparency and accountability in the handling of serious criminal cases.

Others have argued that the bill represents an increased emphasis on state-directed public safety initiatives and introduces a new layer of state monitoring over local criminal justice decisions in specific jurisdictions and cases. They fear this increased emphasis may affect relationships among local law enforcement agencies, prosecutors, and state officials. They also questioned whether the new reporting process is necessary given existing prosecutorial discretion and oversight mechanisms.

Lastly, they expressed concern that local governments participating in task force operations may face increased scrutiny of case outcomes and enforcement, thereby expanding state involvement in areas that have historically been administered through local judgment and decision-making.

This legislation was enacted.

SB1958 / HB1971: Legal Challenges to Government
Proponents argued that this legislation is necessary to clarify that a previously enacted law was not intended to waive Tennessee's sovereign immunity and to more clearly establish who may bring legal challenges involving governmental actions.

Under current law, individuals have various legal mechanisms available to challenge governmental actions, including actions involving state government. This "clarifying" bill amends current law to state that, when it comes to legal liability and a citizen's right to challenge governmental actions, state and local governments are not equals.

The legislation amends current law to create a cause of action that allows individuals to seek declaratory or injunctive relief only when challenging the legality or constitutionality of actions taken by local governmental entities.

At the same time, the legislation expressly prohibits the use of this cause of action to challenge the validity or constitutionality of state statutes. Thus, this legislation creates an imbalance in governmental authority and accountability structures as local government actions remain subject to legal challenge while state actions are insulated from legal challenges.

Additionally, there are the legal and monetary risks associated with ongoing exposure to lawsuits seeking injunctions or declaratory judgments regarding local ordinances, regulations, policies, and governmental actions. While the legislation does not authorize damages claims, defending such litigation can still require significant public resources and expenses.

This legislation was enacted.

SB2102 / HB2592: Utility Boards
Under current law, the governing body of the municipality that owns a utility generally determines the composition of the utility board and appoints its members. This legislation overrides that traditional local governance structure.

Originally, the legislation required many municipally owned electric utilities that serve customers outside their municipal boundaries to expand their governing boards to include representatives appointed by county mayors. Municipal electric systems have historically been accountable to the communities that own them and have operated under governance structures established by local charter provisions, private acts, or municipal ordinances. Such utilities have been required to provide voting seats on their utility boards to representatives appointed by local governments outside the utility owner's corporate limits.

Accordingly, this legislation constituted a state-directed restructuring of locally owned utility governance, reducing local flexibility in managing publicly owned utilities and shifting decision-making authority to outside jurisdictions.

Eventually, the Senate version of the bill was amended to apply only to the composition of the Nashville Electric Service (NES) board. Similarly, the House version was amended to limit the bill’s application to about 15 municipal electric utilities. However, in the final days of the legislative session, the House bill was further amended to include another unrelated provision that alters existing law governing annexation-related transfers of electric service territory.

Under current law, municipalities generally possess statutory authority to acquire electric distribution properties and service rights in annexed territory through established legal processes. However, the late amendment adopted by the House removed the existing authority allowing municipal electric utilities to serve annexed areas previously located within an electric cooperative’s service area. This substantial policy change effectively grants electric cooperatives the exclusive right to continue serving annexed areas and changes the valuation process in a way that is certain to significantly increase a municipal electric utility's costs of acquiring properties and service rights.

In the final hours of the legislative session, the House and Senate agreed to a conference report that included provisions addressing both electric utility governance and the right to serve annexed areas, even though the latter had never been discussed or debated by a single Senate Committee. The Conference Report expands state oversight, increases state direction of local governmental functions and governance structures, and establishes precedents for further state involvement in matters traditionally handled by locally elected officials and locally appointed boards.

First, the provisions relating to the composition of a municipal electric utility board were modified to apply only to the boards of NES and Memphis Gas, Light, and Water. Under these conference report provisions, the NES board must add four members from the following counties: Williamson, Sumner, Rutherford, and Wilson. MLGW would be required to add two members to its electric board, appointed by the mayors of the cities in Shelby County outside the City of Memphis that have the largest number of MLGW customers.

Second, the Conference Report suspends for 12 months the 60-year-old law granting municipal electric systems the right to serve territory previously served by an electric cooperative following its annexation. Beginning September 1, 2026, and continuing through September 2, 2027, transfers of electric distribution properties and service rights in newly annexed areas may occur only through mutual agreement between the municipality and the electric cooperative. This temporary restriction effectively grants electric cooperatives exclusive authority to determine service rights and to demand any price for the purchase of electric distribution properties during the designated period.

The Conference Report was enacted.

SB2157 / HB2366: Tourism Development Zone Requirements
This legislation establishes new state-level requirements governing access, regulation, and law enforcement within tourism development zones (TDZs).

Supporters point out that TDZs are created by the state and, thus, the state has a role to play in protecting tourism-related economic activity and ensure consistent standards across the state.

Under current law, municipalities generally control local streets, rights-of-way, event management, traffic operations, and public safety functions within their jurisdictions, including tourism districts. Generally, cities are allowed to balance economic activity, pedestrian safety, traffic flow, special events, and public order through locally adopted ordinances and policies. However, this legislation limits that authority by prohibiting local governments from blocking streets or restricting access within tourism development zones in ways that disrupt business operations, deliveries, or transportation services, except under specifically authorized circumstances such as emergencies, permitted events, or infrastructure projects.

As such, this bill creates state oversight and regulatory processes in areas that have historically been managed through local decision-making, local law enforcement, and locally adopted public-space regulations.

Additionally, the bill grants the Tennessee Highway Patrol authority to exercise law enforcement powers within tourism development zones, including the authority to investigate crimes, make arrests, and carry out other policing functions alongside local agencies. Historically, routine law enforcement within municipal boundaries has primarily rested with local police departments, supplemented by state law enforcement in specific circumstances.

Lastly, the legislation requires the Department of Tourist Development, in consultation with several other state agencies, to designate tourism development zones as "economic protection zones" and adopt statewide rules governing access, public conduct, and the use of public property within those areas. These rules will address matters such as ingress and egress, loitering, camping, sleeping, and maintaining unobstructed access to businesses and public spaces.

Under the bill, local discretion is narrowed. Rather than simply preempting a specific local regulation, the legislation creates a new state framework and rules governing how municipalities may manage public spaces and rights-of-way within designated tourism development zones.

This legislation was enacted.

SB2205 / HB2450: Underground Transportation
Creates an extensive new state framework for the development, regulation, and operation of privately financed underground transportation systems in Tennessee.

Also known as the “Boring Company Bill,” this legislation was initiated by the state to ensure ultimate oversight of a boring project to create a network of underground tunnels in Davidson County rests with the state. Supporters argue that such projects require regulatory certainty to attract and retain private investment and innovative transportation infrastructure.

Under current law, large infrastructure projects generally proceed through existing state and local permitting, zoning, utility coordination, property acquisition, and public safety processes, with local governments exercising significant authority over land use, rights-of-way, building permits, and infrastructure impacts within their jurisdictions. However, this bill creates a wholly new framework for any subterranean transit project.

First, the bill creates a Governor's Infrastructure Coordination Council and a new Subterranean Transportation Infrastructure Coordination Authority, whose members are appointed entirely by state officials.

Second, these entities are granted broad powers to regulate and facilitate the construction of such projects, including coordinating approvals, hearing appeals from local permitting decisions, reviewing and making determinations regarding the disposition of utilities, and resolving property-use disputes. The bill also instructs these new entities not to defer to local policy judgments or discretionary decisions when conducting their reviews.

Third, the legislation prohibits local governments from regulating most aspects of underground transit infrastructure and prevents cities from adopting or enforcing regulations that could prohibit, delay, or materially interfere with a subterranean project.

Fourth, it grants project operators exclusive authority for emergency response, fire suppression, emergency medical services, and security operations within underground transit facilities unless local assistance is requested.

Fifth, the bill limits the local authority to regulate autonomous vehicles operating in connection with these underground projects.

Finally, the bill provides that if negotiations between an entity constructing a subterranean project and a local government fail, the authority may condemn certain local government property interests for transit projects and may establish lease terms and other conditions that would otherwise be negotiated locally.

These provisions represent a significant departure from current law by substantially limiting local authority over major infrastructure projects. The legislation empowers newly created state entities to override local decisions involving permitting, zoning, utility coordination, property use, and infrastructure planning, while replacing traditional local oversight with a comprehensive state-controlled governance structure. As a result, authority that has historically resided with local governments is transferred to the state across a broad range of functions, including land use, public safety, utilities, emergency response, and local property management.

This legislation was enacted.

SB2418 / HB2069: Legal Issues and Local Government
This legislation significantly limits the ability of local governments to pursue certain types of litigation, adds new state oversight over local legal decisions, and revises Tennessee's public nuisance law. This proposal was championed by the U.S. Chamber of Commerce and the Tennessee Chamber of Commerce and Industry.

Under current law, cities and counties generally retain discretion to retain outside counsel, including on a contingent fee basis, and may bring public nuisance actions under broader common-law principles to address harms affecting their communities.

For example, cities and towns have used secured legal representation related to complex litigation on a contingency basis to pursue lawsuits regarding the adverse effects of bath salts, opioids, and social media on their residents and community.

Typically, such arrangements allow a city to make use of legal remedies and legal and subject matter expertise that are ordinarily beyond its capacity. Moreover, such arrangements are cost effective as legal fees are only due if a lawsuit is successful and only account for a percentage of the overall settlement or award.

This legislation requires approval from the Tennessee Attorney General before a local government may enter a contingent fee contract for legal services. The Attorney General's decision is final and not subject to judicial review, and litigation pursued under an unapproved contract may be dismissed. These stipulations amount to granting the Attorney General a veto, thereby unilaterally prohibiting local elected officials from pursuing legal arrangements they have determined necessary to protect residents and recover public costs.

The legislation also substantially changes the state’s public nuisance law. Sometimes, local governments use public nuisance law to address community-wide harms, including claims involving products, environmental conditions, or other activities that affect public health and safety. This bill narrows the definition of public nuisance, limits who may be sued, restricts standing, and expressly provides that the design, manufacture, distribution, marketing, or sale of a product cannot serve as the basis for a public nuisance claim. It further prohibits claims for monetary damages and future abatement costs, limiting remedies available to government entities primarily to injunctive relief and resources directly necessary to abate an existing nuisance.

The bill imposes new constraints on local governmental authorities while shifting greater control to the state government. By establishing state oversight of local legal service contracts, restricting available legal remedies, and limiting litigation tools that cities have historically used to address community-wide harms, the legislation reduces local governments' ability to seek legal relief on behalf of their residents. These changes will make it more difficult to pursue complex litigation involving public health, environmental, consumer protection, and other issues affecting local communities.

This legislation was taken off notice and did not become law.

SB2473 / HB2507: Airport Authority Boards
Restructures the governance of Tennessee's metropolitan and regional airport

authorities by vacating existing airport authority boards and replacing them with newly constituted boards whose membership is largely appointed by state officials.

Currently, all airport authority boards, except the Metropolitan Nashville Airport Authority, are primarily appointed by the local governments that created and participate in the authority, giving municipalities and counties substantial control over airport governance. This bill shifts the balance and substantially reduces municipal influence over airport operations, capital planning, and long-term strategic decisions.

Specifically, this legislation creates a nine-member board for each existing airport authority, with six of the nine members appointed by the Governor, the Speaker of the House, and the Lieutenant Governor, while only three are appointed by the creating municipality. The legislation also establishes new qualifications for commissioners, permits appointing authorities to remove members with or without cause, requires quarterly reporting to state officials, and subjects the airport authority's finances to additional state review and audit requirements. New reporting and oversight requirements will increase state involvement in airport governance.

These changes are particularly notable because they directly relate to ongoing litigation involving the Metropolitan Nashville Airport Authority, in which questions have been raised about the extent to which the state may alter the governance structure of locally created airport authorities. The legislation appears designed to address those governance issues by expressly declaring airport governance a matter of statewide concern and by establishing a new statewide framework for board composition and oversight.

This legislation was enacted.

OTHER KEY BILLS OF INTEREST

As previously mentioned, numerous bills of interest to cities and towns were unrelated to either fiscal certainty or the three recurring themes addressed above.

The remainder of the report includes summaries of select key bills relating to elections, open meetings, public records, land use, public safety, preemption, finance and taxation, and other miscellaneous bills affecting cities and towns.

Elections
This session saw legislators return to several election bills considered in previous sessions. The first imposed partisan primaries and required all municipalities to conduct elections in conjunction with either the August or November general election.

The second sought to establish a recall process for local officials. Additionally, the General Assembly adopted a bill barring local officials from holding more than one office. An initiative prohibiting a city employee from serving on the governing body failed, but not before reaching the Senate floor.

SB624 / HB618: Prohibitions on Holding More than One Office
Prohibits an individual from holding an elected office of a local government and another elected office in this state at the same time.

Individuals holding an elected office of a local government and another elected office in this state on January 1, 2027, may continue holding such offices and can be reelected to such offices. If an individual ceases holding more than one office after January 1, 2027, then the individual is subject to the prohibition.

This legislation does not apply to an office in a political party's state executive committee.

This bill was enacted.

SB1466 / HB1488: Recall of Municipal Officials
Establishes a process for a local official to be recalled and removed from office at referendum. Similar legislation has been introduced in previous sessions by different bill sponsors.

The proposal requires a recall petition signed by at least 66% of the total votes cast for that office in the last regular election, and it must be circulated by an individual who voted in favor of the local official during the election. If a petition is deemed sufficient, a referendum will be held, and an official may be recalled only if a majority of those voting support the recall. The bill also prohibits elections for the purpose of recall within 90 days of a regular election.

This legislation was taken off notice and did not become law.

SB1630 / HB1497: Moving Municipal Elections and Partisan Races
Requires all cities and towns to hold municipal elections concurrently with either an August primary or November general election. In addition, the bill provides that all municipal elections must be partisan, with candidates selected at a primary election.

TML has consistently opposed this legislation.

Municipal officials only represent the interests of the residents of their city or town on matters that are unique and specific to that community. The issues voted on or addressed by these officials are purely local in nature and are not addressed in party platforms.

This bill also violates local control and precludes municipal residents' right to determine when their elections will be held.

TML engaged committee members on this issue. As a result of this engagement, the partisan component of the bill was removed by amendment in the House. Subsequent to the House action, the Senate sponsor elected not to pursue the bill for lack of support.

The legislation was taken off notice and did not become law.

Open Meetings and Public Records

This session's bills relating to open meetings and public records had a different flavor as several addressed local government concerns, including two bills introduced on behalf of TML.

These bills aimed to allow the posting of public notices online and to permit fees for viewing records that require more than an hour of preparation.

In addition, legislators voted to expand the public comment period at the governing body's meetings.

Two other bills address public records. One seeks to make information about candidates for certain local positions confidential, and the other targets the sale of personal information obtained from public records.

Another bill revisited a recently enacted law requiring certain local governmental entities to post meeting agendas.

SB 178/ HB 22: Public Comment on Non-Agenda Matters

Requires a local governing body for each public meeting to reserve a period for public comment, even if the matter is not on the agenda.

The law was recently changed to require local governments to provide a period for public comment during meetings of the governing body, provided that such comments were germane to the pending agenda.

This legislation seeks to amend the recently adopted law to allow for public comment on any matter, whether on the agenda or not, provided it is germane to the city or town. The bill preserves the right of a local governing body to establish its own time limits and policies related to required public comment periods.

This legislation was enacted.

SB1775 / HB1797: Expanding Application of Public Meeting Agenda Requirement
Expands recently enacted law pertaining to open meetings requirements by adding additional entities to the list of local governing bodies that must make meeting agendas available to the public in advance of meetings.

Under current law, certain public bodies are required to post meeting agendas. This law expands the current list to include the governing body of a local education agency, as well as any other local governing bodies with the authority to make binding decisions or appropriate funds.

This legislation was enacted.

SB1944 / HB1858: Electronic Attendance in Community Meetings
Authorizes local governing bodies to allow electronic participation of their members in community meetings.

TML and its members have long advocated for allowances under the law to permit local officials to participate in smaller, informal community meetings and discussions about issues of importance to residents without risk of violating the open meetings law. This legislation marks a big step toward that objective.

This proposal defines "community meetings" as meetings where members of a community gather to discuss and receive information about public business. Under the bill, members of a local governing body may participate electronically in informal community meetings, provided certain requirements are met. Specifically, cities must provide notice that electronic participation will occur, include public access information, identify any physical meeting location, ensure that participating members can hear and speak to each other, require remote members to identify others present in their rooms, and make members identifiable to the public.

The city must also record the meeting, post the recording or a link to it within four business days, keep it online for at least one year, and retain it for at least three years. Importantly, no votes may be taken at a community meeting when members participate electronically, limiting the process to discussion and information sharing rather than formal action.

This legislation was enacted.

SB2162 / HB2616: Confidential Candidate Applications for Local Positions
Creates a new exception to Tennessee's Open Meetings Act by allowing governing bodies to conduct executive sessions to interview applicants for director-level positions. This legislation permits closed interviews for director-level positions that are appointed by the mayor, the governing body, or both, and that oversee the operations

and employees of a department, agency, or division. The exception does not apply to police chiefs.

TML supported this legislation and worked to ensure its passage.

Under the bill, governing bodies may conduct interviews privately without public notice, but they may not deliberate or make hiring decisions during the executive session. All discussion regarding selection and all voting must occur in an open, publicly noticed meeting. Attendance is limited to governing body members, relevant staff, and the applicants being interviewed. Applicants may also request that their application materials remain confidential, and materials related to unsuccessful applicants must remain confidential if requested.

TML has long supported and promoted greater flexibility in recruiting and interviewing department heads and other senior administrative personnel. Too often, cities' and towns' personnel searches are limited by our laws because candidates choose not to apply or withdraw their applications for fear their current employers will know they are seeking another position during the public process. This legislation effectively balances the need for competitive recruitment with continued public accountability in executive hiring decisions.

This legislation was enacted.

SB2450 / HB2114: TACIR Study on Public Notice Cost to Local Governments

TML championed a bill to initiate a comprehensive review of how governments issue public notices to citizens. The legislation directs the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to study whether newspaper publication remains the most effective and efficient method for providing public notice and transparency, and to evaluate alternative methods, including online platforms. The study will examine historical changes in newspaper circulation, publication frequency, public access to information, and the costs incurred by state and local governments to comply with existing newspaper publication requirements.

TML views this study as an opportunity to modernize public notice requirements and potentially reduce publication costs, while also recognizing the importance of maintaining transparency and public accessibility.

This legislation was enacted.

SB2540 / HB2500: Harmonizing Public Records Fees

TML proposed a bill to harmonize public records fees. Local governments can currently charge citizens who request records and take them home a fee for qualifying labor and copying costs. However, if the citizen requests to view the record in the office, the records custodian cannot charge fees for qualifying labor and copying costs, thereby shifting these incurred costs to taxpayers.

Open government advocates opposed the legislation, and TML intends to revisit the issue next year.

This legislation was taken off notice and did not become law.

Land Use

In recent years, the General Assembly has grown increasingly eager to engage in land-use issues. This report highlights land-use bills in response to population growth. However, other bills in the land-use sphere were considered that are not exclusively a response to growth.

A significant change to the few requirements that apply to the rebuilding of nonconforming properties was contemplated. Additionally, there was an initiative to require local governments to allow the construction of accessory dwelling units.

As the public has become more aware of the potential issues associated with digital mining facilities, legislators have shown growing interest, leading to the introduction of legislation. The General Assembly also contemplated revisions to three development vehicles: Industrial Development Boards, Industrial Development Corporations, and RIDAs.

SB997 / HB1176: Small Annexations

This legislation reinstates a provision of law that expired, restoring an additional exception to the referendum requirement for certain small annexations.

Under the bill, a referendum would no longer be required if at least two-thirds of the property owners within the proposed annexation area consent in writing, the consenting owners collectively own more than one-half of the land area proposed for annexation, and the annexation consists of nine or fewer parcels.

The bill would simplify and expedite small annexations, while preserving the existing exemption that al annexation without a referendum when all property owners consent.

HB1176 was adopted by the full House. However, the Senate failed to consider the bill prior to adjournment.

This legislation was not enacted.

SB1601 / HB1501: Property Owner Contact Information

The legislation is intended to improve accountability and provide local governments with accurate ownership and contact information for large residential property portfolios.

Cities and towns are authorized, by a two-thirds vote of the governing body, to require a real estate investment trust (REIT) that owns, operates, or finances 10 or more dwelling units within the city to register ownership information with the local agency responsible for enforcing building codes. The registration must include the REIT's or its agent's name, telephone number, physical address, and the address of each dwelling unit owned, leased, subleased, or otherwise controlled by the REIT. The information must be submitted on a city-provided form, and municipalities may not charge a registration fee.

The bill also requires REITs to notify the local building codes department within 30 days of any change in ownership or registration information. To ensure compliance, municipalities may assess a $50 per week fine against a REIT that fails to register or update required information. However, before a fine may be imposed, the REIT must be provided with notice and an opportunity for a hearing, with written notice of the hearing mailed at least 15 days in advance.

This legislation was not enacted.

SB1766 / HB1681: Infrastructure Development Districts
Makes several revisions to Tennessee's Infrastructure Development District (IDD) statutes, which allow developers and local governments to finance public infrastructure through special assessments on property within a development district.

The changes are intended to provide greater clarity regarding on the creation, administration, financing, and dissolution of IDDs while offering municipalities additional flexibility in managing districts. The bill clarifies that IDDs remain separate from other business improvement and infrastructure district authorities and provides municipalities with greater flexibility to hold joint hearings and delegate district administration.

The legislation also revises financing and administrative provisions by establishing a maximum 30-year term for bonds and other debt obligations used to fund infrastructure, while allowing separate 30-year financing periods for individual phases of multi-phase developments. It further authorizes municipalities to recover reasonable administrative and overhead expenses through special assessments and permits host municipalities to contract with outside professional administrators, with those costs paid from district assessment revenues.

In addition, the bill strengthens collection and enforcement procedures for special assessments. Property taxes, penalties, and interest owed to governmental entities must be paid before assessment payments are applied to district obligations, and municipalities may collect special assessments on the same bill as property taxes.

Delinquent assessments must be enforced using the same procedures applicable to delinquent property taxes, and county trustees are not required to participate in district administration absent an agreement with the host municipality.

This legislation was enacted.

SB2053 / HB1827: Quarry and Mine Approvals
Requires approval of the local governing body before a proposed quarry meeting certain size or proximity thresholds, or a digital asset mining facility consuming more than one megawatt of power on an average annual basis.

While such facilities are generally subject to existing zoning, land-use, permitting, and regulatory requirements, the bill provides municipalities with an additional layer of local oversight for projects that may have significant impacts on surrounding neighborhoods, infrastructure, utilities, traffic, noise, and land use compatibility.

The bill also establishes detailed public notice requirements, including newspaper publication, website posting, on-site notices, and mailed notice to property owners within 1,500 feet of the proposed facility.

This legislation did not become law.

SB2131 / HB2030: Accessory Dwelling Units
Requires local governments to allow for the construction of accessory dwelling units (ADUs) on lots zoned for single-family homes or duplexes. Local governments are also prohibited from imposing ordinary restrictions such as minimum lot sizes greater than those required for the primary dwelling, setbacks exceeding five feet, most parking requirements, additional development fees, certain impact fees, density restrictions, design standards, or owner-occupancy requirements. The legislation also changes how ADU applications must be reviewed and approved.

Local governments that require permits for ADUs must process applications ministerially, without discretionary review or public hearings, and may consider only compliance with applicable zoning, building, design, and fire code requirements authorized by the act. Cities must approve or deny completed applications within 60 days, and applications are automatically deemed approved if no action is taken within that timeframe. In addition, property owners are authorized to bring legal action against local governments, planning commissions, or regional planning commissions that violate the law, and prevailing property owners may recover attorney's fees and costs.

The bill represents a substantial preemption of traditional local zoning and land-use authority. While municipalities retain limited authority to apply some generally applicable requirements, many local tools commonly used to manage neighborhood character, density, infrastructure impacts, and residential development patterns are significantly restricted.

This legislation was taken off notice and did not become law.

SB2646 / HB1878: Industrial Development Corporations
Makes several changes to Tennessee's Industrial Development Corporation (IDC) statutes, which are commonly used by cities and counties to promote economic development and facilitate payments-in-lieu-of-tax (PILOT) agreements.

Supporters argued the bill was necessary to ensure local oversight and transparency for PILOT agreements that affect municipal and county tax revenues and to preserve flexibility to support affordable housing and economic development projects.

The legislation authorizes an IDC board to initiate a merger with another corporation when necessary to carry out its purposes and updates procedures governing PILOT agreements, particularly those involving tax-credit housing projects. Under current law, municipalities generally delegate authority to IDCs to negotiate PILOT agreements; this legislation provides additional flexibility for certain affordable housing projects while clarifying approval and notification requirements.

The bill modifies how PILOT agreements are approved and negotiated when they result in reduced tax revenues to local taxing jurisdictions. For tax-credit housing projects, an IDC may negotiate PILOT agreements without a formal delegation from the municipality if specified conditions are met and the appropriate local officials provide written support. When a proposed PILOT agreement would result in payments that are less than the taxes otherwise owed, affected taxing jurisdictions must be notified and may require approval from their governing bodies before the agreement can proceed. The legislation also clarifies that municipalities may require IDC-negotiated PILOT agreements to be submitted for local approval.

This legislation was enacted.

Public Safety
Typically, public safety sees considerable legislative activity each year. Current difficulties recruiting and retaining public safety personnel generated activity. Other bills explored extending benefits to additional classes of personnel.

The expansion of uses of autonomous vehicles and electric bicycles led to attempts to establish new boundaries.

Drag racing also remains a focus with several bills seeking to increase penalties.

A couple of bills related to possessing weapons in public parks and facilities rounded out the public safety category.

SB310 / HB1168: Vehicles with Automated Driving Systems
Changes current law to prohibit the operation of an automated driving system (ADS) vehicle to transport property or passengers on streets and highways with the ADS engaged without a human driver physically present.

Waymo, which is currently operating vehicles in Nashville and whose business model completely depends on the operation of driverless vehicles remaining lawful, opposed this legislation and was able to prevent its passage.

This legislation was not enacted.

SB2253 / HB2302: Citations Issued to Driverless ADS Vehicles
Addresses the enforcement of traffic violations committed by autonomous vehicles operating through an automated driving system (ADS).

Autonomous vehicles have limitations. Adverse weather and terrain, heavy pedestrian areas, cybersecurity threats, and software and sensor capabilities may contribute to traffic violations. Current law allows ADS vehicles but provides little guidance on issuing citations when driverless vehicles commit traffic violations.

The bill provides that if a law enforcement officer determines that a traffic offense has been committed by a vehicle operating without a driver, a citation must generally be mailed within 20 business days, include payment and response instructions, and provide clear information regarding fines, fees, and potential court costs.

The law also requires a second notice and an additional 30-day payment period before additional penalties may be assessed for nonpayment. Registered owners may choose to pay the citation without appearing in court or may contest the violation through the normal judicial process.

Additionally, local law enforcement agencies are required to adopt policies for enforcing traffic offenses committed by autonomous vehicles, consistent with these citation and notification requirements.

This legislation was enacted.

SB1473 / HB2034: Remedy for Failure to Maintain Property
Provides municipalities with a new tool for addressing property maintenance violations by granting cities and towns discretionary authority to remediate violations after a municipal court has found one and the property owner fails to correct it within 30 days of the court's determination.

A city or town may assess the cost of remediation against the property owner through a lien on the property or by including it in the property tax notice. Currently, a city may only utilize a lien if the costs exceed $500. This legislation permits the use a lien only if the costs exceed $500.

Exercising this option does not preclude a city or town from pursuing other recovery methods authorized under state or local law. However, such costs must conform to reasonable standards.

This legislation was enacted.

SB1474 / HB1449, SB1647 / HB1459, SB1913 / HB1689: Drag Racing
The General Assembly considered three bills this session aimed at strengthening Tennessee's response to illegal drag racing, street racing exhibitions, and related dangerous driving activities. While all three bills address public safety concerns arising from organized racing and vehicle stunts on public roads and commercial property, they differ in their approach.

SB1474 / HB1449 primarily expands criminal offenses and penalties; **SB1647 / HB1459** empowers local governments to establish their own impoundment programs; and **SB1913 / HB1689** creates a uniform statewide process for temporary vehicle impoundment based on probable cause. Together, the measures expand the definition of prohibited conduct, increase criminal penalties, provide municipalities and law enforcement agencies with a broader range of enforcement options and expedited vehicle-seizure procedures, and incorporate varying levels of procedural protections for vehicle owners.

None of these bills became law.

SB1782 / HB1712: Regulation of Electric Bicycles
Balances expanded access to electric bicycles with increased local discretion and flexibility to address local safety concerns when warranted by local conditions.

Currently, Class 1 and Class 2 electric bicycles are generally permitted wherever bicycles can operate, with less explicit authority for local regulation. The legislation clarifies that these bicycles may be used on bicycle lanes, shoulders, berms, and bicycle paths, while expressly authorizing local governments to regulate or prohibit their operation on streets, highways, trails, and other bicycle facilities within their jurisdictions when necessary for public safety.

The bill also clarifies that Class 3 electric bicycles remain prohibited on many bicycle paths and trails unless specifically authorized by a local government or state agency.

The legislation also increases the minimum age for operating a Class 3 electric bicycle from 14 to 16.

This legislation was enacted.

SB1898 / HB1702: Emergency Communications Districts
Directs the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to conduct a comprehensive study of the state's emergency communications system. The study will examine current funding models, governance structures, organizational arrangements, opportunities for greater operational and financial consistency, the potential consolidation of emergency communications districts (ECDs), call-sharing among public safety answering points (PSAPs), and whether a more uniform statewide system would be beneficial.

The TML Policy Committee has thoroughly explored issues related to emergency communications operations and noted the need to review governance, assignment of financial responsibility, and policies implemented by the state board.

TACIR's recommendations, due by January 31, 2027, could influence future legislative proposals affecting how local emergency communications services are organized and funded.

This legislation was enacted.

SB2596 / HB2267: Agricultural Utility Terrain Vehicles
Modifies laws governing the operation of utility terrain vehicles (UTVs) on public roads.

Today, UTVs may be operated only on state highways and county roads with posted speed limits of 45 miles per hour or less, subject to other statutory restrictions. This legislation creates an exception for UTVs used for agricultural purposes by removing the 45-mile-per-hour speed limit. Agricultural UTV operators may now use state highways and county roads regardless of the posted speed limit, although all other existing requirements and restrictions governing UTV operation remain in effect.

Cities and towns within agricultural areas or with roads connecting to state and county highway systems may see increased use of UTVs traveling between farms and agricultural operations.

This legislation was enacted.

SB1851 / HB1737, SB2467 / HB2064: "Going Armed"
Two firearms bills introduced were direct responses to recent Tennessee court decisions, particularly the Tennessee Supreme Court's recent decision, which called into

question portions of Tennessee's law that prohibited firearm possession or carrying by broad categories of individuals.

Both bills sought to revise Tennessee law to better align with constitutional standards articulated by the courts while preserving restrictions on firearm possession by individuals considered dangerous. The bills shared a common goal of replacing broad status-based firearm prohibitions with more targeted restrictions focused on violent offenders and persons who present demonstrable public safety risks.

SB1851 / HB1737 took the broader approach by comprehensively rewriting Tennessee's unlawful possession statute. The legislation replaced several existing firearm possession restrictions with a new framework focused on persons convicted of violent felonies, felony drug offenses, other felonies, domestic violence offenses, certain federally prohibited persons, and individuals adjudicated with serious mental health disabilities.

The bill also repealed and amended numerous related statutes that relied on the prior "going armed" framework and clarified circumstances under which firearm rights may be restored.

SB2467 / HB2064 focused more narrowly on eliminating or limiting provisions that were constitutionally vulnerable after Rosenthal. It narrowed restrictions tied to misdemeanor domestic violence convictions, limited certain firearm disabilities related to substance use absent a judicial finding of dangerousness, expanded lawful firearm possession rights in parks and recreational areas, and created a judicial process for restoring firearm rights following certain domestic violence convictions.

Neither of these bills became law.

Preemption
While many of the bills previously discussed in this report would rightly be considered preemption bills, others have not been mentioned. The subjects of these remaining bills varied.

The most disconcerting of these pertained to automated delivery devices and hunting.

A couple of bills related to employment policies and practices.

Each year seems to bring at least one bill prohibiting a practice or ordinance that no city or town has implemented or even considered implementing. This year was no exception as the General Assembly adopted legislation preempting a shopping carts practice.

SB1625 / HB1684: Personal Delivery Devices
Requires cities and towns to allow the operation of personal delivery devices (PDDs),

such as autonomous delivery robots, on sidewalks, crosswalks, bike lanes, bike paths, parking lots, shoulders, and other similar areas, while allowing only limited regulation of safety equipment and certain roadway restrictions.

This legislation was initiated at the request of DoorDash, who argued that the current law impedes the commercialization and expansion of emerging delivery technologies and that statewide consistency is necessary to facilitate deployment.

TML strongly opposed the legislation because it represents a substantial state preemption of traditional municipal authority over public rights-of-way, transportation corridors, and land-use management.

Under the bill, cities would be prohibited from banning PDDs, restricting where they may operate within the areas specified by state law, requiring permits, limiting operating hours, imposing additional insurance requirements, or adopting regulations that conflict with the state's framework. This would limit municipalities' ability to respond to potential conflicts with pedestrians, bicyclists, and individuals with disabilities; operate in dense pedestrian areas, neighborhoods, special districts, construction zones, festivals, emergencies, and adverse weather conditions.

TML also raised concerns about liability exposure, compliance with ADA obligations, impacts on recreational facilities, operation on private property without the owner’s consent, and the lack of a clearly defined enforcement mechanism for violations by out-of-state operators.

TML engaged with stakeholders and sponsors to preserve local control. As a result of TML’s efforts, an amendment was added to the bill removing the preemption and restoring local discretion and full regulatory ability.

The amended bill was enacted.

SB1728 / HB1514: Shopping Carts
Legislation that establishes the General Assembly sets the regulation of shopping charts from purchase, use, taxing, manufacture, ownership, sale, storage, and transportation. The bill prohibits local governments from adopting an ordinance, resolution, or other regulation that requires a business to adopt a shopping cart policy of any kind or imposes a fee or fine on a business related to shopping carts.

Currently, no municipality in Tennessee assesses fees or fines for shopping carts. The legislation was brought by the grocery industry to ensure these ordinances and policies did not spill over into Tennessee as they did in other states.

This bill was enacted.

SB1750 / HB1509: Pumping or Withdrawing from Natural Waters
Precludes the Tennessee Department of Environment and Conservation (TDEC) from prohibiting a utility from pumping or withdrawing water from natural waters for purposes of providing drinking water, unless the prohibition is required to comply with federal law.

The measure would have required TDEC to provide the utility with written notice of action if the department prohibits a utility from pumping or withdrawing water. The department currently has 37 total water withdrawal permits statewide, as most utilities were grandfathered in without having to obtain a permit based on their plant capacity in 2000, when permitting started for withdrawals, and this proposal could have resulted in an increase in the permit fee collections, and the state division that regulates water withdrawal has no record of ever denying a permit.

This bill failed in the Senate Energy, Agriculture and Natural Resources Committee.

SB1769 / HB1843: Senior Citizen Utility Rate Freeze
Prevents a public utility from increasing the rate it charges for electric, water, wastewater, or natural gas service to customers 65 years or older. Further requires that each utility provides written notice to senior-citizen customers of the rate cap.

If a utility does not comply with the requirements, the utility is subject to state sanctions and civil penalties.

The bill was sent to summer study in the House Business and Utilities Subcommittee.

SB1788 / HB1671: Homeless Relocation
Prohibits a city, county, or other local governmental entity from relocating a homeless individual to another jurisdiction unless the receiving jurisdiction provides written consent or the relocation occurs through a program designed to reunite the individual with their place of origin. The bill also prohibits local governments from using public funds to relocate homeless individuals unless housing and necessary services have been verified as available in the receiving jurisdiction or the relocation is part of a qualifying reunification program.

Jurisdictions affected by a violation may seek damages and injunctive relief against the local government responsible for the relocation.

While the bill’s origins were attributed to an unnamed source in response to a situation in Rutherford County, TML is not aware of any municipalities actively relocating homeless populations. However, should a city or town choose to do so in the future, it must verify service availability and obtain appropriate approvals before funding or facilitating relocations.

This legislation was enacted.

SB1962 / HB1983: Maximum Allowable Hard Water
Establishes new eligibility requirements for a community water system serving 10,000 or more people that seeks state funding for major water infrastructure improvements.

Under the proposal, any qualifying water system that cannot demonstrate that its average water hardness during the previous calendar year was below 180 milligrams per liter (mg/L) as calcium carbonate becomes ineligible for state funding unless the proposed project includes water-softening treatment as part of the upgrade. The legislation also creates a limited exemption for elevated hardness levels caused by seasonal runoff that may be used for up to 120 days within a twelve-month period without additional approval. Routine maintenance, minor repairs under $25,000, administrative expenses, and operational costs are excluded from the new requirements.

If enacted, municipal water utilities that rely on state funding for capital improvements and infrastructure expansion projects would likely need to monitor and document water hardness levels more closely and potentially incorporate water-softening components into future projects to maintain eligibility for state financial assistance. This obligation could lead to increased costs associated with planning and monitoring requirements, improvements, and other administrative tasks.

This bill did not become law.

SB2028 / HB2017: Hunting in City Limits
Preempts local ordinances that prohibit the discharge of firearms within city limits when the firearm is being used for lawful hunting on private property or in state-designated hunting areas.

This legislation was supported by the Tennessee Wildlife Federation and followed a court decision that found a group of six hunters had violated a city ordinance while hunting within the city limits of Sweetwater.

Under current Tennessee law, municipalities are expressly authorized to regulate the discharge of firearms within their boundaries, and many cities have long relied on that authority to adopt ordinances tailored to local population density, development patterns, and public safety concerns.

While proponents characterize the bill as a clarification of existing practice, TML and its member cities argue that it instead removes authority that state law currently grants to cities and transfers regulation of hunting activities within municipal boundaries exclusively to state law and Tennessee Wildlife Resources Agency (TWRA) regulations.

TML’s primary concern is not hunting itself but the loss of local authority to establish safety measures designed for unique community conditions. Local governments are best positioned to determine where and under what circumstances firearms may be safely discharged, given local development patterns and the location of schools, parks, churches, businesses, roads, and other public gathering places.

TML contends that relying solely on state law and TWRA regulations could create public safety gaps because existing statewide hunting regulations are limited only to maintaining a 300-foot buffer from residential structures and do not establish similar protections for many other locations where people routinely gather. As a result, cities would lose the ability to tailor firearm discharge regulations to address local safety concerns, while hunting within city limits would be governed exclusively by state law and wildlife regulations.

TML also argued that the bill directly conflicts with the Sweetwater case, which was pending appeal at the time and therefore constituted legislating on pending litigation. While such has been frowned upon in the past, this argument was summarily dismissed. Despite several conversations and exchanges of ideas, the only change the sponsors were willing to accommodate, other than the existing buffer around residential properties, was the addition of a prohibition on hunting within 500 feet of a school property.

This legislation was enacted.

SB2428 / HB2397: Veteran Preference in Hiring Process
Establishes a mandatory veterans' preference process for both state and local government hiring and promotions. Under the proposal, if a local government chose to interview candidates for a position, it would have been required to interview any qualified veteran applicant, as well as certain qualifying spouses or surviving spouses of disabled or deceased veterans.

The bill also would have required local governments to give hiring preference to veterans when competing candidates possessed equal qualifications, skills, abilities, and experience. Current law does not impose these specific interview and hiring requirements on local governments.

While municipalities generally support recognizing veterans' service and encouraging veteran employment, concerns were raised that the legislation would preempt local hiring decisions, create additional administrative and records management obligations, and reduce flexibility to tailor hiring processes to local workforce needs.

This legislation did not become law.

SB2591 / HB2319: Prohibits Local Office Candidacies for Employing Jurisdiction
Expands restrictions on local government employees serving in elected office within the same jurisdiction that employs them.

Under this measure, cities that currently permit employees to serve on governing bodies through local ordinances or existing statutory exceptions would lose that authority, and employees would be disqualified from seeking or holding office in their employing jurisdiction. As such, the proposal represents a further state limitation on local control over qualifications for municipal elected office.

The bill failed on the Senate floor.

Finance and Taxation
Several bills related to municipal finance and municipal taxation were proposed. These bills ranged from tweaks in reporting and processes to meaningful changes affecting revenues.

Although not as game changing as a property tax cap, bills were filed to change the tax classification of rental properties and some mobile homes, to change beer taxes, and to change the tax treatment of certain agricultural properties, which would reduce revenues.

Bills also proposed procedural changes for budgeting, reporting, and appeals.

SB526 / HB889: Timeshare Taxation
As amended, it requires timeshares to be taxed at a residential rate rather than a commercial rate.

This legislation is contrary to existing case law and contrary to common sense. While an owner of a timeshare may have permanent fractional ownership of a unit, the use of that unit is confined to no more than a few weeks annually. As such, the unit is not a permanent residence.

TML opposed the legislation.

This legislation failed in the House State and Local Government Committee.

SB994 / HB1252: Beer Barrelage Tax
As amended, it reduces the beer barrelage tax from $35.60 to $33 per 31-gallon barrel.

The current barrelage tax rate is based on a negotiated agreement between TML and the Tennessee Malt Beverage Association. The proposed rate reduction would reduce local government revenue by $4.6 million dollars in the first year and $9.4 million dollars in subsequent years.

TML opposed this legislation due to the negative financial impact on municipal revenue.

This legislation was taken off notice and did not become law.

SB1592 / HB1516: Timely Municipal Budgets
Establishes new procedures for municipalities when budget agreements cannot be reached and provides a temporary mechanism for continuing government operations when a municipal budget is not adopted before the start of the fiscal year.

This legislation was proposed by the Comptroller and mirrors current county processes and requirements.

The measure provides that if a municipality has not adopted a budget by the first day of the fiscal year, the prior year's operating budget and appropriations automatically remain in effect for up to two months, with a possible third month upon the Comptroller's approval based on extraordinary circumstances. During the continuation period, spending generally may not exceed comparable monthly levels from the prior year unless specifically authorized by ordinance and supported by an identified funding source.

For municipalities that operate a local education agency (LEA), the legislation creates a default funding process if the municipal governing body and school board fail to agree on a school budget by August 31. In those cases, the school system automatically receives the minimum local funding necessary to satisfy Tennessee Investment in Student Achievement (TISA) maintenance-of-effort and local match requirements. If disagreements continue for three consecutive fiscal years, the law requires an additional 3% increase in local school funding during the third year, unless the school board fails to submit its proposed budget by May 1.

This bill was enacted.

SB1642 / HB1683: Single Article Motor Vehicle Revenue to the Highway Fund
Requires 95.3970% of the sales and use tax revenue generated from the sale of new or used motor vehicles and tires to be deposited in the Highway Fund. The remaining 4.6030% of such sales and use tax revenue (the state-shared sales tax) would be allocated to municipalities.

This change generates an additional $3.2 million dollars in shared sales tax for local governments this year and $4.3 million in subsequent years.

In addition, the proposal allocates the state's portion of the single article sales tax collections (2.75% state sales tax levied on $1,600-$3,200 of purchase price) on the retail sale of new or used motor vehicles to the highway fund as well. The consequence of this provision is the annual transfer of more than $1 billion from the state's general fund to the highway fund. While legislators support increasing funding for transportation infrastructure, a majority were unwilling to support such a significant transfer of general fund revenues.

This legislation was not enacted.

SB1675 / HB1670: Rental Properties Reclassified as Residential Tax
Reclassify single family and townhome rental properties as rental property for purposes of the property tax.

This proposal has been introduced and considered in recent years.

Currently, rental property is considered commercial property and assessed at 40% of its value, while residential property is assessed at 25% of its value. This is consistent with the Tennessee Constitution and case law holding that the taxation of a property is determined by its use and that income-producing properties are classified as commercial properties.

When an individual property owner of a single-family home or town home does not reside in such property but rents that property to another to live in, then that owner's use of the property is to generate income. As such, the property is commercial, not residential.

TML opposed the legislation which, if enacted, would reduce revenues by $21.6 million.

This proposal failed in the Senate State and Local Government Committee.

SB1679 / HB1672: More Efficient Natural Disaster Grants to Local Governments
Expands and clarifies local government financing tools available to respond to economic distress and to fund public infrastructure projects related to natural disasters.

This bill was proposed by the Comptroller and eagerly supported by TML.

The measure broadens existing debt provisions to include utility authorities and allows local governments to issue notes extending beyond the current fiscal year when approved by the Comptroller and tied to state guarantees or economic distress resulting from natural disasters.

In addition, the legislation also permits municipalities to issue grant anticipation notes upon execution of a grant agreement and with Comptroller approval, while gaining additional flexibility to secure those notes through general obligation pledges or revenues from benefiting enterprise or special revenue funds.

The bill also clarifies that local governments may levy taxes to pay interest on such notes and may use grant anticipation notes alongside other financing tools.

These changes provide greater certainty and additional financial flexibility for those towns and utility systems contending with disaster-related revenue losses, recovery costs, or other emergency financial pressures.

This bill was enacted.

SB1824 / HB1846: Rollback Taxes on Greenbelt Property
Makes significant changes to Tennessee's greenbelt property tax program by eliminating rollback tax liability that can result solely from the sale or transfer of agricultural, forest, or open-space land.

Today, a property's greenbelt classification may be lost upon transfer of ownership, and the resulting disqualification can trigger rollback tax liability, or liability on some of the property tax savings the owner received while the property was enrolled in the program.

This measure eliminates the potential for transfers to create rollback tax liability.

At a time when the state has the stated aim of reducing the loss of farmland and open space to development, this bill contributes to the transfer of agricultural and open-space lands. Moreover, limiting the possibility of rollback taxes on transfers could reduce associated property tax collections.

For these reasons, TML opposed this proposed change.

This bill failed in the Senate State and Local Government Committee.

SB2283 / HB2119: Hotel Occupancy Tax Payment to Destination Marketing Organization
As introduced, shortens the timeframe for municipalities to distribute lodging tax (hotel-motel) revenues to tourism marketing organizations from 90 days to 60 days.

TML initially opposed the legislation because of concerns about the uncertainty of its application and the belief that the accelerated payment schedule was unworkable. After conversations with the hospitality industry and the bill sponsors, we arrived at a compromise.

The amended version creates a statutory definition for a destination marketing organization (DMO) and requires the release of tourism-related revenues no later than 120 days after the municipality approves its final budget, when lodging tax revenues are legally designated to fund a DMO.

The amended version is less restrictive and clearer than the original, while establishing a statewide deadline for distributing tourism promotion funds to DMOs in municipalities where such transfers are required by law.

This legislation was enacted.

SB2411 / HB1716: Altering Assessments, Freezing Property Tax, and Prohibiting Tax Sales

Imposes sweeping changes to Tennessee's property tax system and tax collection process for owner-occupied residential property.

First, the bill replaces the current assessment process for residential property by requiring that taxable value be based on the higher amount—either the property's most recent sale price or the value assigned by a financial institution during refinancing or other lending transactions.

Second, the legislation freezes residential property values established before December 31, 2026, until the property is sold or refinanced.

Third, the bill prohibits the tax sale of a principal residence owned by a U.S. citizen who has occupied the property for at least ten years, regardless of unpaid property taxes. Once eligibility is established, interest on the delinquent taxes would stop accruing, and the debt would not become payable until the property is transferred to a new owner.

TML strongly opposed this proposal.

These provisions create inequities among similarly situated properties, reduce assessment uniformity, and substantially limit a longstanding enforcement mechanism for collecting delinquent property taxes. Consequently, this bill would have significant implications for local government revenues and tax collection practices, shifting financial burdens onto other local taxpayers.

This legislation failed in the House Cities and Counties Subcommittee.

Miscellaneous

Several bills considered don’t neatly fit into a single category but affect cities and towns. These bills covered topics ranging from flags to fluoride to fireworks.

A couple of bills expanded authority, while others addressed penalties imposed by cities and towns. Other bills address utilities, accessing personal property, and internal policies.

SB674 / HB900: Field Preemption for Employment Regulation

Expands Tennessee's preemption of local employment regulations by declaring that the

General Assembly occupies the entire field of regulating the terms and conditions of employment.

Accordingly, local governments and their agencies may not adopt or enforce ordinances, policies, rules, or requirements affecting employment terms and conditions unless expressly authorized by state law. The bill clarifies that this preemption does not apply to a local government's own employees, preserving municipal authority over the employment policies and working conditions of city personnel.

The principal purpose of the bill is the addition of the field preemption, or the declaration that employment regulation is exclusively a matter of state law. The practical effects of this bill on cities and towns are nominal, as state law already prohibits local governments from imposing certain employment requirements on private employers operating within their jurisdiction that exceed state law.

This bill was enacted.

SB795 / HB11173: Procurement of Improvements under Federal Purchasing Contracts
Broadens the definition of "goods" under Tennessee procurement law and increases access to federal purchasing contracts.

The legislation revises the definition to expressly include improvements to real property, such as buildings, structures, fixtures, equipment, and other permanently attached improvements, while continuing to exclude the purchase of real estate itself.

This change allows municipalities to use the General Services Administration schedules and other eligible federal purchasing contracts for a broader range of projects, including certain construction-related improvements and associated services, without having to go through separate competitive bidding processes otherwise required under local purchasing laws.

TML supports this legislation because it provides additional flexibility and an opportunity to streamline procurement, reduce administrative costs, accelerate project delivery, and potentially obtain more favorable pricing through established federal contracts.

The legislation was adopted by the full Senate and the House State and Local Government Committee but was not considered by the full House.

This bill did not become law.

SB1141 / HB897, SB1142 / HB898: Fluoride in Drinking Water
Both bills address fluoride in public drinking water systems, but they take very different

approaches. One directly regulates utility operations, while the other is primarily an informational measure.

SB1141 / HB897 imposes a maximum fluoride concentration of 0.7 mg/L**,** requires increased monitoring when that threshold is exceeded, mandates customer notification, and creates new violations for excessive fluoride levels.

These changes create potentially significant operational and financial implications for municipal water systems, including additional testing, monitoring, treatment adjustments, customer notifications, and regulatory compliance responsibilities.

In contrast, **SB1142 /HB898** does not regulate fluoride levels or water treatment practices. Instead, it focuses solely on transparency by requiring utility systems to obtain a certificate of analysis for fluoride-containing water and post both the certificate of analysis and the material safety data sheet for fluoride on the utility's website, or on the Board of Utility Regulation's website if the utility lacks its own website.

This bill presents a much narrower administrative impact, requiring municipal utilities to obtain and post specified documentation regarding fluoride but not requiring any changes to water treatment processes or fluoride levels.

Both bills were taken off notice, and neither became law.

SB1595 / HB1673: Consolidation of Utilities and TBOUR Authority
Revises utility district and utility regulation laws relating to consolidation of systems, oversight of financially distressed systems, and governance of utility boards.

Currently, the authority and procedures for the consolidation of utilities are limited and generally focused on utility district-to-utility district mergers. The legislation expands consolidation options by allowing utility districts to merge into municipalities, counties, and utility authorities.

In addition, the bill establishes detailed provisions for petitions, public hearings, and approvals for such mergers. The bill also authorizes larger governing boards for newly consolidated systems and mandates continuing education for utility board members.

The bill also broadens the Tennessee Board of Utility Regulation's (TBORR) authority to evaluate, oversee, and facilitate mergers involving financially distressed or poorly managed utility systems, as well as to impose transparency requirements for audits.

While this bill may allow municipal utilities to expand through consolidation, it could also mean increased state oversight, enhanced audit requirements, and expanded regulatory reviews, reflecting a broader trend toward greater state involvement in the governance and management of local utility operations.

This legislation was enacted.

SB1657 / HB1724: Application of Biosolids
Changes the law governing the land application of wastewater treatment sludge (biosolids) on agricultural land.

This legislation prohibits the land application of sludge unless the county, municipality, or metropolitan government where the application will occur affirmatively authorizes it through a two-thirds vote of its governing body. The legislation also authorizes local governments to impose a per-ton tipping fee on sludge applied within their jurisdiction, with revenues dedicated exclusively to the construction and maintenance of wastewater treatment or processing facilities.

Beginning July 1, 2026, TDEC may not issue or renew permits for sludge application in jurisdictions that have not approved the practice, making local approval a prerequisite to state permitting.

This legislation was taken off notice and did not become law.

SB1668 / HB1667: Tiered Penalties for Repeated Violations
Authorizes municipalities and metropolitan governments to adopt escalating monetary penalty schedules for repeated ordinance violations by the same individual or entity within a 12-month period.

Currently, municipalities lack explicit authority to distinguish between initial and repeat violations, so this measure provides that authority.

However, the bill does not alter the Tennessee Constitution's limitations on municipal fines or the body of case law governing civil penalties for ordinance violations. Accordingly, a city or town could adopt a tiered penalty structure for repeat offenders, provided the penalties do not exceed constitutional limits.

This bill was enacted.

SB1601 / HB1501, SB1693 / HB1703: Improved Communication with REIT-Owned Properties
Both bills seek to improve transparency regarding large-scale ownership of residential rental housing, particularly by business entities, but they do so through different mechanisms and at different levels of government.

Together, these proposals would create new reporting requirements designed to help state and local governments identify property owners and improve communication with entities that own significant numbers of rental units.

SB1601 / HB1501 takes a local option approach focused specifically on REITs. The bill would authorize municipalities, by a two-thirds vote of the governing body, to require REITs that own, operate, or finance ten or more dwelling units within city limits to register contact information and property locations with the municipal department responsible for building code enforcement.

REITs would be required to update ownership and contact information within 30 days of any change, and municipalities could impose a $50-per-week penalty for noncompliance following notice and a hearing.

The legislation provides a means of maintaining accurate ownership records for such residential property located in a municipality and identifying responsible parties in the event of an issue affecting such properties. While the bill passed the House, it was not considered by the Senate.

SB1693 / HB1703 takes a broader statewide approach by requiring all institutional buyers, including corporations, LLCs, LLPs, and limited partnerships that acquire residential rental property, to register those properties with the Secretary of State beginning January 1, 2027. The registration must include ownership information, property locations, local management contacts, and the number of rental units, and the information must be publicly available through a searchable database.

Enforcement would occur at the state level through civil penalties of up to $2,000 per violation. This proposal would create a centralized statewide database that could significantly improve local governments' ability to identify absentee owners and responsible management contacts.

Neither of these bills became law.

SB1713 / HB1664: Annual Certification of Compliance with DEI Prohibitions
Builds upon existing prohibitions on granting preferential treatment or discriminating based on race, sex, ethnicity, or national origin in employment, contracting, education, or other covered activities.

This legislation maintains these prohibitions and adds a requirement that the executive head of each governmental entity annually certify their compliance with state laws governing discriminatory preferences and ensure that their employment, contracting, procurement, and other policies remain consistent with those requirements.

Such certifications are to be submitted to the Comptroller beginning on January 1, 2027. The bill also authorizes the Attorney General to investigate allegations that state agencies are violating these provisions or other state laws prohibiting discriminatory preferences used to advance diversity, equity, or inclusion initiatives.

This bill was enacted.

SB2334 / HB2407: Design-Build Authority for Qualifying Cities and Towns
Authorizes qualifying local governments to utilize a broader range of project delivery methods for large construction projects.

Generally, local governments rely on traditional design-bid-build procurement. This legislation allows qualifying local governments to use construction manager-at-risk, design-build, or traditional design-bid-build methods for construction projects exceeding $5 million.

To qualify, local governments must have a full-time procurement official and meet specified revenue thresholds ($150 million in general government revenues for counties and metros; $125 million in general government revenues for cities and towns). If a city or town does not meet these qualifications, it may seek approval from the Comptroller.

The legislation also establishes detailed competitive proposal requirements, including public disclosure of evaluation criteria, qualifications-based scoring, conflict-of-interest disclosures, public access to procurement records, and a formal protest process.
TML supports this proposal because it provides additional flexibility to select procurement methods that may improve project efficiency, cost control, and project delivery timelines for large-scale infrastructure and public capital projects.

Municipalities utilizing these new authorities will need to ensure that local ordinances, procurement policies, evaluation procedures, and protest processes comply with the statute's requirements.

This bill was enacted.

SB2409 / HB1474: No Pride Flag or Month Act
Prohibits governmental recognition or display of LGBTQ-related symbols and observances by state and local governments.

Beginning July 1, 2026, state agencies and political subdivisions, including municipalities, are prohibited from displaying or maintaining LGBTQ flags or emblems on government-owned property and from taking official actions that recognize or acknowledge Pride Month or other LGBTQ observances.

The legislation expressly applies to actions taken by employees, volunteers, and agents of state and local governments while acting in their official capacities, while preserving protections for private conduct and speech under the First Amendment.

This bill failed in the Senate State and Local Government Committee.