SECOND SESSION OF THE 114TH TENNESSEE GENERAL ASSEMBLY
SUMMARY

BUDGET

Tennessee's FY 2026–27 budget totals $58.3billion, with 52% from state funds and the remainder from federal dollars, fees, tuition, and bonds. Despite a 10% drop in total spending driven mainly by reduced federal support, the state maintains moderate revenue growth and record-high reserves, including a $2.2 billion Rainy-Day Fund.

The budget emphasizes education, healthcare, infrastructure, public safety, and emerging technologies, along with economic development efforts. However, economic uncertainty and inflation concerns created tensions, and the General Assembly exerted unusual independence from the Administration.

Lawmakers cut or redirected more than $200 million from the Governor's proposal, including reductions to the disaster response fund ($55.8 million), rural development grants ($10 million), artificial intelligence (AI) initiatives ($12 million), and a Bicentennial Mall history wall update ($10 million). Most of these changes funded $137 million for hospitals, especially rural facilities, to support uncompensated care and service expansion. Legislators also added non-recurring community grants and approved a new fee on certain international wire transfers.

REVIEW OF LEGISLATION AFFECTING MUNICIPALITIES

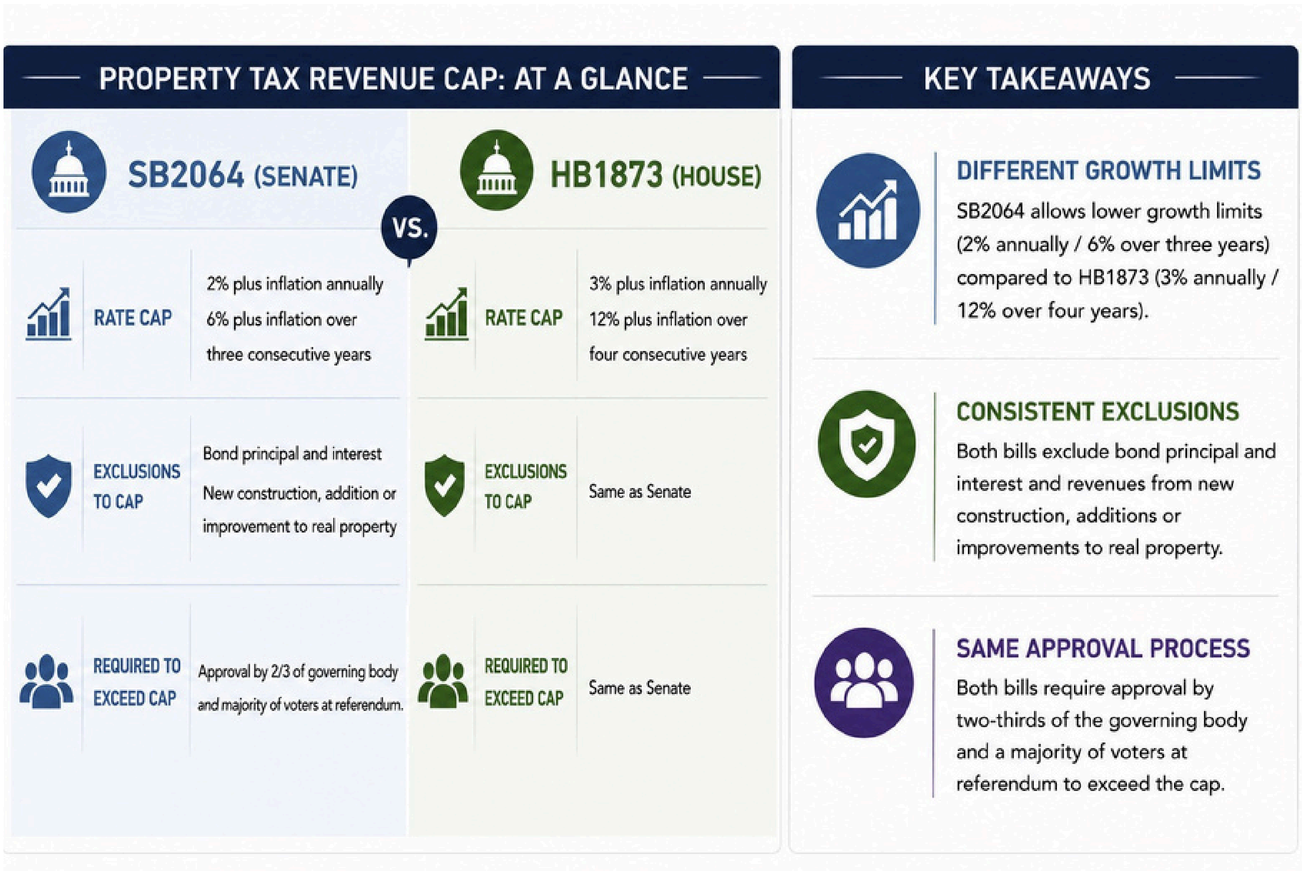
The Second Session of the 114th GeneralAssembly met from January 13 to April 23, 2026. With more than 600 bills with the potential to affect towns and cities, this summary focuses only on those that significantly impact local authority, revenues, services, operations, or community well-being.

FISCAL CERTAINTY: PROPERTY TAX CAP

A renewed push to cap annual property tax revenue growth proposed limiting increases to inflation plus 2% yearly (or inflation plus 6% over 3 years), with exceptions for new development and debt service. Exceeding the cap would require a two-thirds local vote and a referendum. TML opposed the bill, noting Tennessee already has low property tax rates, with three-quarters of municipalities either keeping rates flat, lowering them, or not levying any property tax over the past decade.

TML argued a cap would restrict local revenue, reduce flexibility during downturns, hinder growth, push cities toward higher borrowing, and shift reliance to other taxes and fees. The bill advanced through an early committee but ultimately failed after the Senate sent it to General Subcommittee and the House took it off notice.

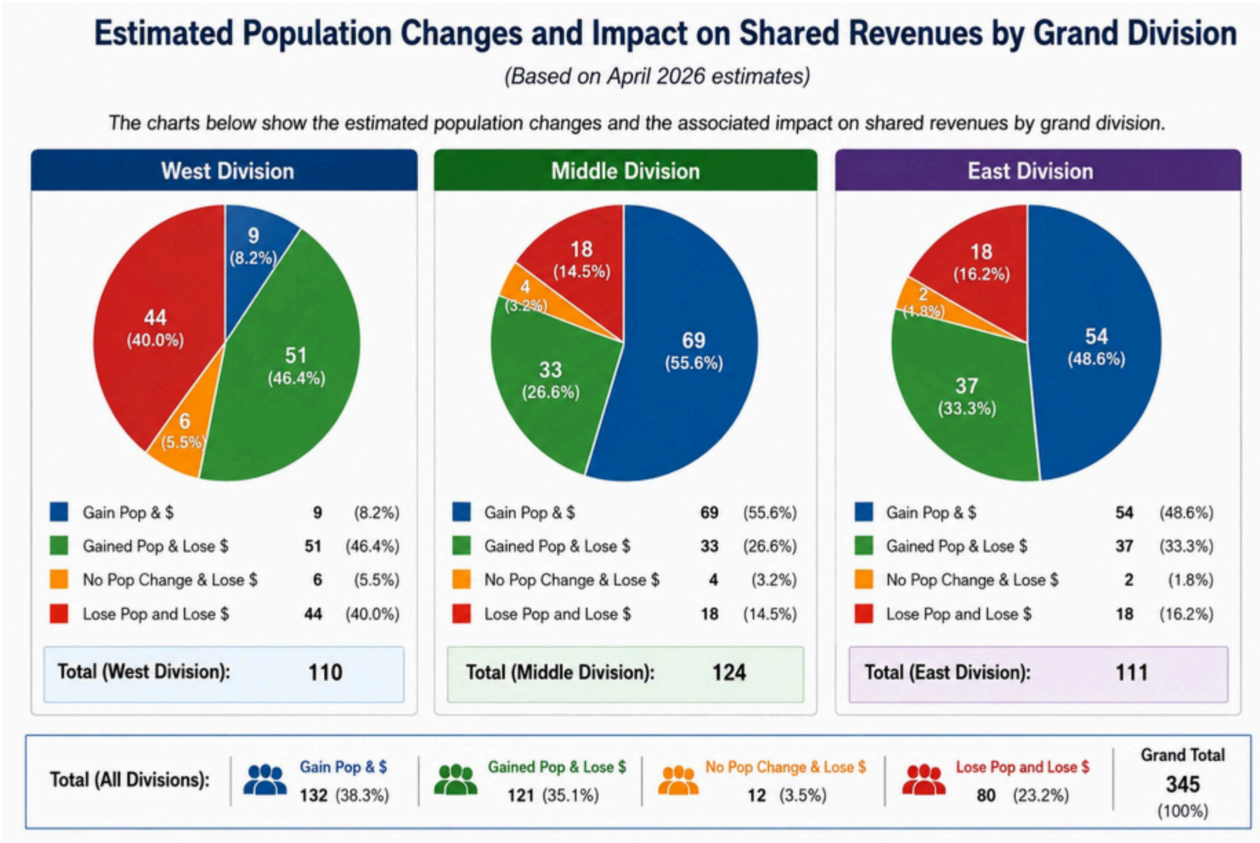
A separate proposal to eliminate local property taxes—replacing them with state payments funded by a 4% sales tax increase—also surfaced but was widely viewed as unworkable due to its political and fiscal assumptions.



FISCAL CERTAINTY: ANNUAL CERTIFICATION OF POPULATION AND SHARED REVENUES

Concerns emerged over the 2025 law requiring annual municipal population certification, which will reshape how state-shared revenues are distributed. While intended to help fast-growing cities receive fairer funding, the shift is projected to reduce revenues for about 62% of municipalities (some by as much as 43%) creating sudden budget pressures for towns with declining populations. TML also warned that the July 1 certification deadline leaves them adopting budgets without knowing their updated population numbers.

Efforts to revise the law included proposals for temporary state assistance, earlier population estimates, and delaying implementation. However, none of those proposals came to pass. As a result, annual mid-decade population certifications will begin July 1, 2026, and will determine each city's shared revenue going forward.



RECURRING THEME: GROWTH LEGISLATION

Beyond fiscal-certainty bills, a primary theme this session was the tension created by rapid population growth and its impact on land use, housing costs, infrastructure needs, and community character. Competing interests shaped legislation that would have expanded vesting rights, created new legal claims, shifted costs to taxpayers, limited local planning authority, and weakened cities' ability to manage growth.

Similar pressures surfaced in bills affecting utility deployment, which collectively threatened to impose new obligations on cities, reduce local control, and undermine service delivery. Growth-related tensions also fueled proposals to let counties block annexations, override local zoning, shorten review timelines, deem plans automatically approved, and require refunds when deadlines aren't met.

RECURRING THEME: IMMIGRATION

Another recurring topic was the General Assembly's continued effort to build a federal-state enforcement framework for immigration laws. Nearly 20 immigration bills were filed, many as part of a coordinated package. Several measures placed new requirements on local governments, including verifying citizenship status, reporting costs, restricting public benefits, honoring detainer orders, entering agreements with state and federal agencies, and protecting certain records.

RECURRING THEME: EXPANDED STATE ACTIVITY

An additional theme was the General Assembly's growing use of state authority in traditionally local domains. Beyond standard preemption, several bills sought to take over or expand state control of local boards, restrict cities from pursuing legal action on behalf of their communities, and create duplicative state reviews of routine local decisions. Lawmakers also advanced measures establishing a state law-enforcement presence with defined authority in certain areas.

OTHER KEY BILLS OF INTEREST

Beyond fiscal and thematic issues, lawmakers considered a wide range of bills affecting cities. Election proposals resurfaced, including mandatory partisan primaries for municipal elections, shifting all municipal elections to August or November, creating a recall process, and barring officials from holding multiple offices.

Open-meetings and public-records bills included measures to allow online public notices, permit certain viewing fees, expand public comment periods, protect candidate hiring information for local positions, and address the sale of personal data.

Land-use activity remained high, with bills on nonconforming property rebuilding, accessory dwelling units, digital mining regulation, and changes to development authorities.

Public safety legislation focused on recruitment and retention, expanded benefits, rules for autonomous vehicles and e-bikes, tougher drag-racing penalties, and weapons rules in parks and facilities.

Additional preemption bills targeted automated delivery devices, hunting, and certain employment policies, along with a bill preempting a shopping-cart practice no city had adopted.

Finance and taxation bills ranged from procedural tweaks to proposals affecting rental property classifications, mobile homes, beer taxes, and agricultural property taxation, many of which would reduce local revenues.

Other miscellaneous bills touched on flags, fluoride, fireworks, utilities, personal-property access, and internal local policies.