



From Your Community to the Capitol

EXECUTIVE SUMMARY

First Session of 114th
Tennessee General Assembly



Tennessee Towns and Cities
Working Together

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2025 Legislative Summary

The First Session of the 114th General Assembly was convened on January 14, 2025, and concluded on April 22, 2025. The Session began in earnest immediately following the conclusion of the third Extraordinary Session (Special Session) called by Governor Lee, which addressed the Education Freedom Act, immigration, disaster relief, and transportation. As the Special Session included consideration of several proposals with a potentially significant price tag, the final construction of the governor's proposed budget for Fiscal Year 2024-2025 depended on actions taken in the Special Session. Having finally secured victory on his signature policy initiative

during the Special Session, Governor Lee delivered the Annual State of the State Address and outlined his proposed budget and initiatives on February 3, 2025



Gov. Lee delivered the Annual State of the State Address in February and outlined his FY 25-26 proposed budget and initiatives

Special Session

During a 2025 Special Session, the Tennessee General Assembly enacted a comprehensive slate of seven bills addressing education, immigration, disaster relief, and infrastructure financing.

The Education Freedom Act of 2025 (SB 6001 / HB 6004) established the Education Freedom Scholarship Program, offering state-funded scholarships of \$7,075 to eligible Tennessee students for private school tuition and related educational expenses. In its first year, the program will fund up to 20,000 scholarships, prioritizing 10,000 for households earning below \$176,000 annually. The law outlines student testing requirements and private school participation criteria and maintains independence for participating schools. It also includes public school funding protections for districts facing drops in enrollment.

The Session also saw the creation of the **Centralized Immigration Enforcement Division (SB6002 / HB6001)** within the Department of Safety, led by a Chief Immigration Enforcement Officer. This division coordinates enforcement efforts with federal programs like 287(g) and manages a new \$5 million grant fund to incentivize local law enforcement participation. The legislation further strengthens penalties by making it a criminal offense for state or local officials implementing "sanctuary" policies. This legislation also prohibits issuing driver licenses to non-U.S. citizens, with new restrictions on temporary licenses.

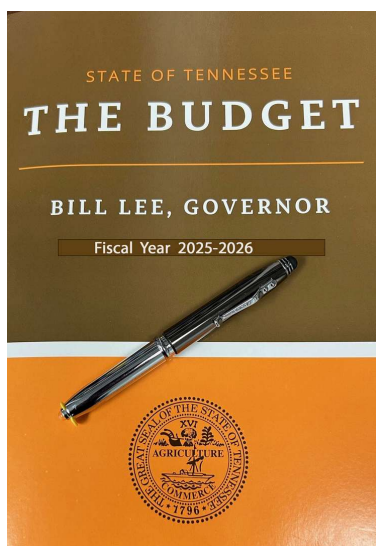


In response to Hurricane Helene, lawmakers passed several disaster-related bills:

- **SB6003 / HB6003** created two funds: one to assist localities with loan interest payments and another for broader response and recovery.
- **SB6004 / HB6004** updated emergency unemployment rules and expanded state assistance to localities.
- **SB6007 / HB6007** authorized one-time property tax relief for disaster-affected property owners and modernized mutual aid laws for emergency support across jurisdictions.
- **SB6005 / HB6005** appropriated over \$900 million for scholarships, teacher bonuses, disaster recovery, school construction, and legislative expenses to support implementation.

Finally, **SB6006 / HB6006** established the **Tennessee Transportation Financing Authority**, a new entity empowered to issue bonds and manage funds for infrastructure projects under the state's modernization plan, ensuring project financing remains insulated from general state obligations while expanding Tennessee's capacity to fund significant transportation developments.

- \$472 million nonrecurring in FY 2025 for several disaster recovery and assistance initiatives.
- \$146 million recurring in FY 2026 for the first year of the new Education Freedom Scholarship
- \$198 million nonrecurring in FY 2026 for one-time \$2,000 bonuses for public school teachers.
- \$23 million for grants to targeted school districts. These dollars are accounted for as both nonrecurring in FY 2025 and recurring beginning in FY 2026.
- \$6 million to implement a new law related to immigration enforcement, including \$5 million recurring and \$1 million nonrecurring.



Governor's Budget Proposal for Fiscal Year 2025-2026

Governor Bill Lee's proposed FY 2025–2026 budget totaled \$59.5 billion, reflecting a nearly 2% decrease from the previous year's budget, yet included a significant 10% increase in state funding. The proposal dedicated \$1 billion in new recurring spending, prioritizing TennCare cost increases, K-12 education (including teacher pay raises), and state employee compensation. Additionally, \$2.4 billion in nonrecurring expenditures targeted major infrastructure and public safety projects, including a \$1 billion General Fund transfer to the Highway Fund, and substantial capital investments.

The governor's proposed budget for FY2026 included about \$1.0 billion in new recurring spending, including:

- \$281 million to fund inflationary cost increases, a routine change in the federal match rate, and other activities related to TennCare, the state's Medicaid program.
- \$207 million for public K-12 education, which includes funding for teacher pay increases, growth in the state's school funding formula, and other public-school initiatives.
- \$191 million for personnel-related costs for state employee salary and health insurance increases.

The governor's proposed budget also included \$2.4 billion in nonrecurring funds, including:

- \$1.0 billion General Fund transfer to the Highway Fund for transportation projects.
- \$221 million for activities and projects related to public safety.
- \$206 million for Capital Outlay and other smaller capital projects and maintenance within agency budgets.

Adopted Budget

The General Assembly adopted a final \$59.8 billion budget on April 16, 2025, incorporating the governor's core priorities while making notable adjustments. Lawmakers cut approximately \$179 million from proposed expenditures—such as eliminating funding for a starter home revolving fund and reducing allocations for various projects—to reallocate funds toward disaster relief, healthcare, and community support. Key additions included \$78 million for TennCare to aid rural hospitals, \$20 million in grants for volunteer fire departments, and \$20 million in additional relief for Hurricane Helene recovery.

The legislature also maintained the governor's priority investments, such as \$1 billion for transportation infrastructure, over \$440 million in education support (including teacher bonuses and facility funding), and \$145.9 million for the newly established Education Freedom Scholarship program. The budget also bolstered the state's Rainy-Day Fund to a historic \$2.2 billion, reinforcing Tennessee's financial stability while advancing public services, healthcare access, and educational choice. The final budget includes funding for a new office within the University of Tennessee's Institute for Public Service (UT-IPS) to assist local governments with planning needs—a priority initiative championed by TML and supported through collaborative discussions with Agriculture Commissioner Charlie Hatcher and other stakeholders. This office will provide technical assistance, training, and service coordination—especially benefiting small and rural communities—and builds on UT-IPS's established expertise through MTAS and CTAS in delivering statewide support to local governments.

FY 2025–26 Adopted Budget Highlights:

Major Investments Maintained:

- \$1B for transportation infrastructure (Road Fund)
- \$62.7M for K-12 facilities and infrastructure
- \$244M for TISA education funding and teacher raises
- \$198.4M for teacher bonuses
- \$35.6M added to Rainy-Day Fund (total reserves: ~\$2.2B)
- \$25M for business recruitment and workforce development grants
- \$25M for Farmland Preservation
- \$2M recurring for a new local planning function at the Institute for Public Service

Expanding School Choice:

- \$145.9M for Education Freedom Scholarships (building on \$144.2M from 2024)
- \$77.2M for K-12 infrastructure funded by sports wagering revenue
- Disaster Relief for Hurricane Helene:
- \$26M for victims in Northeast Tennessee
- \$20M for local FEMA disaster match funds

Rural Hospital and Healthcare Support:

- \$78M from TennCare Shared Savings for uncompensated hospital care, especially in rural areas
- \$4M for capital projects at county health departments

Grant Pool for Critical Community Services (\$42.5M, Nonrecurring):

- \$20M for volunteer fire departments
- \$5M for rescue squads
- \$5M for emergency medical services
- \$5M for senior centers
- \$5M for local museum capital improvements
- \$2M for courthouse restoration
- \$500K for Second Harvest Food Bank

Session Overview

The convening of the 114th General Assembly marked a notable change to House policies and practices. In the name of a streamlined process and improved efficiency, the House reduced the total number of bills an individual member can file yearly from 15 to 12 in 2025 and 10 bills per member in 2026.

Following the conclusion of the productive Special Session, the General Assembly quickly went to work to approve a final budget and adopt other legislative priorities.

Lawmakers focused its attention on several areas outside of the confines of the budget and Special Session. The General Assembly considered several additional bills related to immigration and conducted a comprehensive rewrite of laws governing the sale of hemp, cannabis-based products, and cannabinoids.

Legislators also redirected the sales tax on new and used tires to the state's Highway fund to help address urgently needed highway, street, and bridge projects.

A considerable focus was placed on public safety and criminal justice reform. Legislators advanced measures to hold offenders accountable, protect victims, and confront emerging threats. Key legislation included establishing a domestic violence offender registry (Savanna's Law), advancing Marsy's Law to expand victim rights, and creating new offenses related to human trafficking and smuggling. Additional bills addressed growing concerns around hate crimes, drive-by shootings, and deepfake technology misuse, notably through the Preventing Deepfake Images Act.

Health and family welfare remained high on the legislature's agenda. Several measures were enacted to protect vulnerable populations, particularly children, and to improve access to essential services.

These included bans on food dyes in schools, expanded prenatal screening, and expanded prenatal screening, and protections for cancer patients and users of public health services. Legislators also strengthened protections for children and families by criminalizing AI-generated child exploitation materials, enhancing penalties for child abuse, strengthening penalties for exposing children to fentanyl, and increasing access to childcare and adoption services. The General Assembly also adopted new safeguards for mothers facing pregnancy complications and expanded safe haven laws and foster care protections.



The House reduced the total number of bills an individual member can file yearly from 15 to 12 in 2025 and 10 bills per member in 2026.



Bree Smith, formerly with News Channel 5, provided emotional testimony requesting lawmakers to ban distribution of deep fake AI images with the intent to damage a person's reputation or cause them harm.

Once again, the legislature contemplated closing political primaries but opted against it. However, legislation was adopted establishing primaries as the way party nominees are selected unless a local party has historically made such selections through a caucus process.

The General Assembly also prioritized the elimination of programs and practices related to diversity, equity, and inclusion (DEI), adopting bills to end race-based selection for membership on state boards and eliminating programs and departments in state and local government and higher education promoting DEI. Additional legislation prohibits colleges and universities from using race or national origin in determining admission or awarding of scholarships. It also prohibits local government and public universities from basing hiring decisions on DEI goals.



The General Assembly also prioritized the elimination of programs and practices related to diversity, equity, and inclusion (DEI)

Finally, two constitutional amendments received final approval to advance to the 2026 ballot: one banning a state property tax and another related to bail reform, setting the stage for significant policy decisions by Tennessee voters in the near future.

Immigration

Tennessee was among the states that sought to immediately establish a state infrastructure and posture following the election of President Trump, which enabled the state to coordinate, cooperate, and act in accordance with the Trump Administration's efforts to combat illegal immigration.

In addition to the establishment of the Centralized Immigration Enforcement Divisions within the Department of Safety and Homeland Security and the inclusion of incentives to encourage participation in the in the federal 287(g) program enacted during the Special Session, the General Assembly considered several bills concerning those individuals in the country illegally.



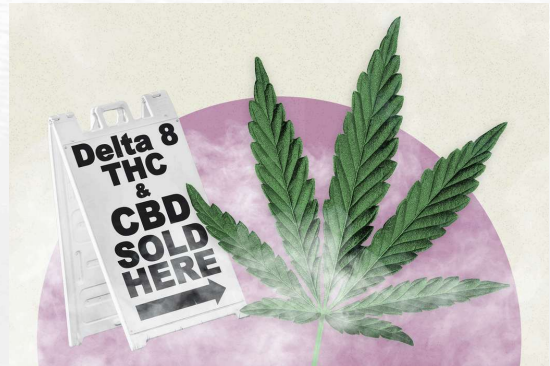
During the Special Session, legislators established the Centralized Immigration Enforcement Division and passed incentives to encourage participation in the federal 287 9g0 program.

Among those adopted were bills addressing smuggling, trafficking, and housing of illegal immigrants. A few bills targeting illegal immigration directly affected local government. One sought to address the education financing for undocumented children, while others sought to expand local government obligations or impose additional requirements on local government. However, no bills affecting local government that were considered outside of the Special Session were adopted.

Hemp-Derived Products and Cannabinoids

The General Assembly's Fiscal Review Committee estimates that more than 2,000 businesses are operating in Tennessee that are selling a myriad of cannabis-based products.

In 2023, the General Assembly adopted legislation that authorized the sale of certain hemp and cannabis-based products. However, questions regarding the proliferation of retailers and product offerings, the legality of many products available across the state, and the potential harm these products posed to unsuspecting consumers led the General Assembly to revisit the 2023 legislation.



The General Assembly passed legislation that regulates hemp-derived products.

In the final days of the Session, the General Assembly adopted a comprehensive rewrite of the 2023 law. This comprehensive rewrite aims to protect consumer health and safety by regulating hemp-derived products, which are widely sold in forms such as gummies, patches, beverages, and flowers. The bill transfers regulatory oversight from the Department of Agriculture to the Tennessee Alcoholic Beverage Commission and establishes a hemp distributor license.

The bill also requires hemp brands to register with the Department of Revenue, subjects hemp sales to regulations, and imposes a new tax regime on related products. In response to concerns over the intoxicating potential of these products, this legislation establishes a legal limit for potential intoxicants, bans certain products, and imposes strict measures on who may sell such products and when and where such sales may occur.

Other legislation contemplating enhanced local regulation and enforcement of hemp and cannabinoid products advanced throughout the Session but was still pending when the General Assembly adjourned.



Legislation Affecting Municipalities

Our team's efforts to partner with city officials throughout the Legislative Session were instrumental in achieving significant success. Together, we effectively prevented the passage of harmful legislation that would have negatively impacted our communities, protecting critical interests through strategic advocacy and coalition-building. At the same time, we worked diligently to improve upon the bills introduced, shaping policies to better reflect the needs and interests of municipalities and the residents they serve.

Our proactive engagement also helped to secure the passage of several beneficial measures. Thanks to our team's dedication and collaboration, we could navigate a challenging environment and deliver meaningful outcomes across a wide range of issues. The legislative team determined that just under half of the bills filed this year either directly affected or had the potential to affect municipalities directly. During this Session, the team actively engaged with leadership, committee chairs, and legislators on approximately 150 of these bills.

Many of the bills affecting municipalities addressed the same issues targeted in previous sessions, with some bills being identical to those offered in prior years. Other bills introduced represented new approaches to familiar issues or the opening of new fronts. Among those bills breaking new ground, three denoted a concerning trend as each designated specific processes and outlined penalties for actions or measures enacted by a municipality that are alleged to be illegal or unconstitutional.

Revenues

One bright spot was the progress made on the administrative fee the Tennessee Department of Revenue withholds from local option sales tax collections – a long-time TML legislative priority. In addition, the legislature finally corrected an illogical quirk in applying the local lodging tax to overnight stays of more than 30 days.

However, the results of legislation addressing the hotel-motel tax were mixed as the hospitality industry's efforts to adopt a cap succeeded, but not before TML and the counties could secure passage of an amendment that exempted all current local levies from the cap.

Unfortunately, efforts to secure a restoration of the historical sharing of state sales tax collections attributable to the 1% increase in the state's rate adopted in 2002 remain elusive. The Lee Administration's initiative to secure authorization for a local surcharge on certain local privilege taxes to fund local transportation priorities was not adopted.

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Bills Monitored & Worked by Legislative Team

Of the 644 bills that had the potential of affecting municipalities, TML's Legislative Team actively engaged with leadership, committee chairs, and legislators on approximately 150 of these bills.

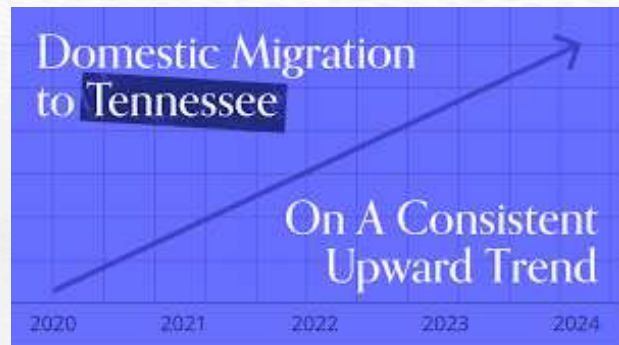


TML secured passage of an amendment to the Hotel-Motel Tax that exempted all current local levies from a cap pursued by the hospitality industry.

Unprecedented growth

The Session brought a continuation of legislation responding to the various interests and constituencies affected by the unprecedented growth experienced in regions of the state. This response was chiefly evidenced in legislation related to municipal utilities, land use, and development regulations. Most sought to alter municipal authority or to impose mandates pertaining to municipal services in the name of slowing growth, creating

more affordable housing, preserving property rights, or streamlining municipal permitting, planning, and other development processes. A few initiatives that legitimately sought to address housing costs by reducing the cost of development were considered, including a necessary adjustment to legislation TML helped to shepherd through the General Assembly last year.



Property Taxes

While the initiative to cap local property tax rates and limit the growth in property tax collections did not return this year, it is certainly possible that next year—an election year—may prompt legislators to revisit a cap. Nonetheless, the General Assembly entertained several bills related to the property tax, including proposed changes to property tax relief programs, changes to the classification of rental properties, and clarifications related to transfer of Greenbelt status among certain qualifying individuals.

Governmental Tort Liability Act

This Session our team joined forces with our municipal partners at Public Entity Partners and other municipal entities as well as counties to successfully resist initiatives to increase the governmental liability thresholds under the Governmental Tort Liability Act. TML also supported legislation that was adopted which provided enhanced liability protection for law enforcement under certain conditions.

Public Safety Benefits

Several pieces of legislation relating to benefits for public safety employees were adopted this year, including expansion of the cancer presumption for firefighters and extending the Post-Traumatic Stress Disorder presumption to police officers and EMTs.



Public Meetings

This legislative session also brought a return to issues and legislation frequently revisited. These included bills concerning public meetings, meeting agendas, public comment, and electronic participation. Similarly, legislation inviting consideration of the recall of elected municipal officials returned.

Legislation was adopted this year that expanded the cancer presumption for firefighters and extended the Post-Traumatic Stress Disorder presumption to police officers and EMTs.

Status Select Bills of Interest

SB#	Short Description of Legislation	Final
SB6006	Immigration (Special Session)	PC5
SB6	Require local law enforcement transfer detained illegally in country to sanctuary city	Failed
SB13	State 911 Board from 9 to 11 members	Pending in Committee
SB26	Allows local government option to issue bonds on behalf of commercial developer to finance infrastructure	Governor Signed
SB109	CMFO in certain cities serving fewer than 16 hours per month	PC44
SB115	Require audits of municipal departments, boards and agencies within six months of end of fiscal year	PC18
SB136	Electronic participation by members of local governing body	Sent to Governor
SB140	Recall process for municipal elected officials	Pending in Committee
SB144	State sales tax on new and used tires to Highway Fund and infrastructure study	Sent to Governor
SB145	Courthouse square revitalization	Pending in Committee
SB160	Cities reimburse counties for ambulance to TACIR	Sent to Governor
SB177	TML SSST	Pending in Committee
SB178	Mandatory public comment include non-germane to agenda	Failed
SB179	Defines district for purposes of municipal elections	PC187
SB207	Governor Lee's farmland preservation proposal	Sent to Governor
SB209	Police employees information made confidential	Pending in Committee
SB212	Expand requirement for posting of meeting agendas	Governor Signed
SB214	Naming for local official	Failed
SB236	Require report of crimes at rental properties	Pending in Committee
SB247	Greenbelt and survivorship upon death or divorce	PC138
SB255	Municipal judge residency requirement	Sent to Governor
SB280	Law enforcement immunity for damage or injury if convicted	PC160
SB288	Firefighter presumption prostate, breast and pancreatic	Sent to Governor



SB289	PTSD presumption for police and EMT	Sent to Governor
SB294	Exempt \$15,000 NG vehicle purchase from sales tax	Pending in Committee
SB301	Firefighter shift commander or higher to continue beyond mandatory retirement	Pending in Committee
SB327	Rental property from commercial to residential	Summer Study
SB360	No correctional facility, hospital or nursing homes in flood plain	Failed
SB365	Requires rules, keep record and complete certain training for BZA	Governor Signed
SB383	Relief for legal or constitutional challenge to state law only in state court	Pending in Committee
SB384	Hotel-Motel first 30 days	Governor Signed
SB387	Authorize local recall	Pending in Committee
SB418	GTLA increase	Failed
SB425	Local government employees address confidential	PC280
SB438	Solid Waste Advisory Task Force	Sent to Governor
SB480	ED for housing authority	PC114
SB495	City Manager-Commission charter contract for sports facility	PC279
SB509	Cooperative purchasing other locals and TVA	PC98
SB518	Municipal water/wastewater issue revenue anticipation notes	PC170
SB525	Three judge panel to hear alleged charter amendment violates Constitution	PC249
SB539	Valuation of LIHTC properties	Pending in Committee
SB564	Require connection and assume operation independent wastewater facilities	Pending in Committee
SB592	TML residential rental property registry	Failed
SB624	Elected local official not hold another elected office	Pending in Committee
SB629	Hotel-Motel tax cap	Governor Signed
SB643	Exempt non-profit religious from property tax	Clerk's Desk
SB646	Establish Hurricane Helene disaster recovery fund	Sent to Governor
SB649	Recall for local school boards	Withdrawn
SB670	TDEC only call wetland if feds call wetland	Sent to Governor
SB674	GA preempts and occupies entire field of employment	Clerk's Desk

SB717	Allow developers to hire third party for utility installation	Pending in Committee
SB728	Allow ATV on city streets unless prohibit	PC255
SB731	Utility change orders, non-essential infrastructure, and deficiency reports	Failed
SB735	Require compenation above FMV for removal of billboards	Pending in Committee
SB750	Require Centralized Immigration Enforcement Division to report of criminal activity of those illegally in the country	Governor Signed
SB754	Courthouse square revitalization	Pending in Committee
SB770	Authorize creation of local hemp and cannabinoid boards	Pending in Committee
SB771	Automatic appeal of property tax assessment to SBOE and payment of interest	Pending in Committee
SB773	Vesting rights toll during litigation	Sent to Governor
SB785	Municipalities only require 1 entrance and no stubbing of streets in subdivision with less than 70 homes	Pending in Committee
SB795	Locals piggyback on GSA contracts	Clerk's Desk
SB842	Locals purchase authorized insurance without public bidding	PC260
SB845	AG investigate locals for alleged illegal or unconstitutional actions and loss of shared taxes	Sent to Governor
SB875	Boyd Center generate annual population estimates for certification	Sent to Governor
SB997	Exception to referendum for annexation	Pending in Committee
SB988	Documentation of justification for development fees	PC140
SB1037	Mandatory public comment include non-germane to agenda and constitutional right to rebut.	Failed
SB1068	Prohibits booting of vehicles	Sent to Governor
SB1080	Awarding counties half of recordation tax revenues	Pending in Committee
SB1083	Dismantle DEI Act	Sent to Governor
SB1087	Creates offense for those unlawfully present in country to enter the state	Pending in Committee
SB1089	Increase amount of muni court fees going to state	Sent to Governor
SB1096	Allows place of worship to be used for education w/out reclassification	Pending in Committee
SB1098	2/3 vote county moratorium on development of apartments in certain municipalities	Pending in Committee

SB1101	Tree canopy exempt property tax	Pending in Committee
SB1114	Remove sunset for frequent requestor injunction	Governor Signed
SB1138	Sewer outside city limits 25 years have to continue if sufficient capacity	Sent to Governor
SB1139	Allow developers to contract with third party contractor to install utilities and conduct inspection	Sent to Governor
SB1141	Decreases threshold for fluoride in public water system	Failed
SB1193	Voluntary housing incentives in perpetuity to 30 years	Governor Signed
SB1263	Allow county government to prohibit use of biosolids/sludge	Pending in Committee
SB1271	Clarifies industrial development corporations law and authority relative to affordable housing	Governor Signed
SB1276	Reduce local match for park land acquisition in distressed counties	Governor Signed
SB1307	Local option levy privilege tax surcharge for transportation	Pending in Committee
SB1313	Property rights vest with submission of substantially complete application	Sent to Governor
SB1315	Reduce DOR admin fee from 1.125 to .075	Governor Signed
SB1367	Eliminates sales tax on food	Pending in Committee
SB1381	Allows local to regulate distance for sober living homes	Governor Signed
SB1404	Municipalities may not levy tax, impose fee, or take any action that increases cost to unincorporated residents	Failed
SB1413	Sale and distribution of hemp-derived and cannabinoid products	Sent to Governor
SJR48	Increases 911 surcharge rate to \$1.86	Pending in Committee