June 2024

LEGISLATIVE REPORT

Final Session of 113th
Tennessee General Assembly

Tennessee Towns and Cities
Working Together

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Tennessee Municipal League
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Executive Summary

The Second Session of the 113th General Assembly convened on Jan. 9, 2024, and concluded on April 25, 2024. The Session was largely shaped by three separate factors that would dominate discussions surrounding the budget and affect the prospects of many legislative proposals.

Slowing Growth

The realization of state revenues significantly in excess of projections had become so common that one could not have blamed any legislator for assuming this would continue indefinitely. In fact, many current legislators had never participated in a legislative session in which significant revenue growth had not been projected and realized. Then, the inevitable happened. As legislators convened in Nashville to begin this year's Session, it was clear a myriad of factors had combined to begin to stem the tide. Through the first seven months of this fiscal year, state general fund revenues were underperforming projections by 3.4% and represented a 2.2% drop when compared with collections through seven months in the previous fiscal year. Thus, for the first time in almost a decade, the General Assembly convened a Session in which it was almost certain that the State would not realize significant revenues in excess of projections at the fiscal year's end. This slowing growth and other economic factors led the State Funding Board to recommend a growth rate of just 0.5% in state revenues for FY24-FY25.

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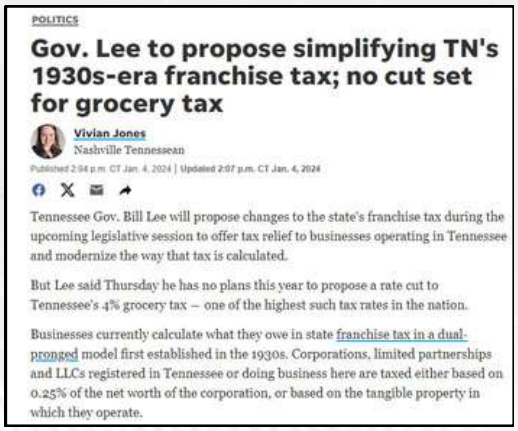
However, despite this sudden shift of budgetary fortunes the prospects for the FY24-FY25 year were not as dire as one might presume. The reason for the seemingly misplaced optimism heading into the Session can be attributed to the implementation of fiscally conservative policies, budget-conscious decisions, healthy reserve balances and the use of recurring revenues for one-time expenses in FY23-FY24. The use of about $1.7 billion in recurring revenues for one-time expenses last fiscal year meant that nearly $2 billion in recurring funds would be available for new initiatives, helping to offset the immediate effects of nominal growth in the FY24-25 budget. However, this silver lining would be short-lived as the anticipated benefit of the recurring dollars would be negated by the second factor.

TENNESSEE POLITICS

Franchise and excise tax cut bills heading to conference committee

F&E Revelation



POLITICS

Gov. Lee to propose simplifying TN's 1930s-era franchise tax; no cut set for grocery tax

Vivian Jones
Nashville Tennessean

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Tennessee Gov. Bill Lee will propose changes to the state's franchise tax during the upcoming legislative session to offer tax relief to businesses operating in Tennessee and modernize the way that tax is calculated.

But Lee said Thursday he has no plans this year to propose a rate cut to Tennessee's 4% grocery tax – one of the highest such tax rates in the nation.

Businesses currently calculate what they owe in state franchise tax in a dual-pronged model first established in the 1930s. Corporations, limited partnerships and LLCs registered in Tennessee or doing business here are taxed either based on 0.25% of the net worth of the corporation, or based on the tangible property in which they operate.

In early December, about two weeks before the governor was to finalize his FY24-FY25 budget proposal, it was determined that the State faced certain lawsuits related to the eighty-nine-year-old franchise and excise tax. The disclosure of this anticipated liability and the proposed response to preempt potential lawsuits constituted the second factor that shaped the Session.

The issue involved the constitutionality of the state's franchise tax in the wake of a 2015 U.S. Supreme Court ruling that relied on the "Dormant Commerce Clause," which prevents enactment of legislation that discriminates or burdens interstate commerce. Under the law, businesses are subject to a franchise tax equal to the greater of .25% of a firm's net worth or the amount of its tangible property located in the state. The state's franchise tax on the net worth of a businesses assets and liabilities is not uncommon. However, the additional element of the state's franchise tax that includes the possibility of tax liability being determined by the amount of a business' tangible property raised the constitutional question and became the basis for the anticipated lawsuits.

Governor Lee proposed to change the current law to conform to the Court's decision. In addition, the governor's budget proposal included funding to provide affected companies with a refund in an amount equivalent to three years of excess taxes collected as a result of the suspect state law. Initially, the two-pronged solution offered by the Governor was estimated to cost almost $1.4 billion. Subsequent to the Governor's budget presentation, the estimated costs of both measures were revised to about $1.6 billion. The realization of the scope of the liability and its fiscal ramifications led to the sobering reality that the anticipated benefit that was to be derived from the availability of $1.7 billion in recurring revenues would be negated by the proposed response. As a consequence, the prospects for funding any new initiatives in 2024 substantially dimmed.

The Senate essentially concurred with the Governor's position. However, the House staked out a position that deviated from that of the Governor and Senate. First, the House felt three years of refunds was excessive and preferred a single year. In addition, the House wanted the names of those entities receiving rebates to be published for public consumption. After weeks of discussion, the Senate and House finally reached an agreement on the final day of the Session. The agreement includes $1.55 billion in rebates equivalent to three years of overcollections and another $400 million to cover the revenue lost this year due to the tax change. The final agreement also requires that the names of all businesses requesting a rebate be publicly posted for a one-month period.

Education Freedom Scholarship Act

The third factor that shaped the Session was the Governor's introduction of the Education Freedom Scholarship Act, a statewide voucher program. Under this program, Governor Lee proposed to grant $7,200 to 20,000 students, regardless of income, to attend private school. While the governor's proposal was supported by organizations and individuals within and outside the state, the proposal also met with considerable opposition from public school systems, interest groups, organizations and individuals.

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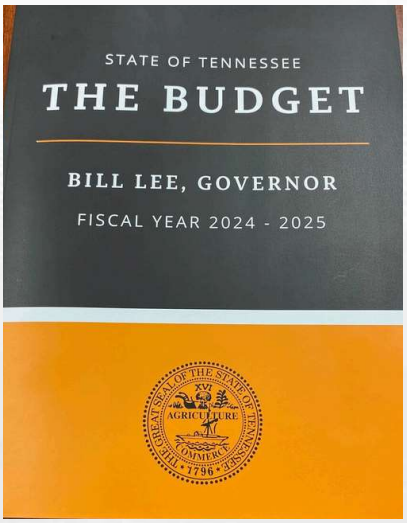
The release of the specific details of the Administration's proposal was delayed, creating an opening for legislators to begin to fill in details with their own ideas. By the time the specific details of the proposal were released, Senate and House Republicans had begun to coalesce around approaches that differed from the Administration's plan.

The Senate version of the voucher bill largely mirrored Governor Lee's proposal; however, there were a few differences. The Senate version also required those students attending a private school with the assistance of a voucher to take the achievement tests required of public-school students. Additionally, the Senate plan allowed public-school students to enroll in out-of-county public schools. The House version sought to add several significant measures to soften the opposition, including changes to performance assessments required of public-school teachers and principals. The House proposal also increases the state's contribution to teachers' health insurance as well as enhancing funding for school maintenance. The additions included in the House version produced a price tag around $400 million for the first year, resulting in a nearly $300 million difference with the Governor's and Senate's versions.

As the anticipated adjournment neared, neither body had adopted a voucher bill but the Administration and leadership continued to assure all that negotiations were ongoing. Then, on April 22, Governor Lee proclaimed the voucher bill dead for the year, as the negotiations had reached an impasse that could not be overcome within the limited time remaining in the Session. The Governor reiterated that he remained committed to providing parents and students with the ability to choose what's best for their family. He repeated that empowering parents is the best way to ensure this choice and vowed to continue pursuing enactment of his voucher proposal in 2025. The premature demise of the voucher bill meant the $144 billion set aside in the adopted budget to fund first-year costs remains unobligated.

FY24-FY25 Budget

The General Assembly adopted a $52.8 billion budget, which is $3.4 billion below last year's total. The adopted budget invests in education, public safety, health care, recreation, the disabled population and addressing the state's franchise tax law. Highlights include the following:



Fiscal and Tax Provisions

- $100 million investment in Tennessee's Rainy-Day Fund, bringing Tennessee reserves to more than $2 billion
- $393.4 million recurring to fund changes to franchise tax law.
- $1.5 billion non-recurring funding to provide rebates associated with franchise tax.
- Education
- $261 million for Tennessee Investment in Student Achievement (TISA) formula growth, including teacher pay raises
- $5 million dedicated to universal reading screeners and to provide students in rural and urban areas access to AP courses.
- $8 million to expand the school-based behavioral health liaison program to fund 114 liaisons, giving students across Tennessee schools important resources and mental health support
- $2.5 million to strengthen students' reading and phonics skills
- $577,000 for teacher training
- $15 million to fund charter school facility improvements
- With no agreement reached on the Education Freedom Scholarships (vouchers) the $144 million included in the adopted budget remains unobligated.

Health Care

- $197 million over five years from TennCare shared savings for rural health, including apprenticeships and skilled training, greater access to specialty care and telemedicine, improved career pathways, hospital and physician practice grants, and a new Center of Excellence to sustain and expand rural health support
- $100 million over five years from TennCare shared savings to strengthen mental health care by investing in community mental health centers and behavioral health hospitals, expanding substance abuse disorder treatment, intensive in-home supports, primary care training, early childhood training, and children's hospital infrastructure.
- More than $3 million in additional funding to support crisis pregnancy non-profits, improving access to healthcare and information for expecting mothers

Public Safety

- $17 million in funding for an additional 60 State Troopers and related support staff
- $750,000 to fund Houses of Worship Security Grants

Recreation

- $63 million to create eight new Tennessee State Parks in addition to the five announced last year, with the goal of funding a total of 13 new state parks
- $15 million to expand blueway trail access
- $20 million to improve water quality at rivers, lakes and streams along the Bill Dance Signature Lakes Fishing Trail
- $5 million to protect and enhance scenic beauty along our major highways

Disabled Tennesseans

- $26.7 million investment in services for Tennesseans with disabilities
- $3 million for Access 2030 to make Tennessee State Parks accessible to Tennesseans with disabilities

State-Shared Sales Tax

It was this second factor, the need to preempt a rush of lawsuits related to the state franchise tax, that negated the anticipated benefit of approximately $1.7 billion in recurring revenues. As a consequence, the prospects of any new initiatives substantially dimmed. Among the many initiatives whose promise was effectively dashed by the dimming prospects was the proposal to fully-share the state sales tax collections with municipalities.

RESTORE
RETURN
RELIEF

This development was extremely frustrating in light of the steady progress that had been made in recent years to lay the groundwork and build support for enactment. Through the relentless efforts of municipal officials working in coordination with our team, the list of House supporters had grown by 60%. In the Senate, the cosponsors had reached 18, which is enough to secure Senate passage. In presession discussions with Governor Lee, he had expressed his most positive and supportive comments. The SSST initiative was gaining momentum. Then, what had seemed to be the most promising outlook for enactment of the League's SSST initiative to date all but vanished with the revelation of the F & E issue and the need to commit all of the recurring funds in Fiscal Year 2024-2025 to fend off lawsuits.

Rep. Garrett championed the legislation in the House.

The sudden unavailability of the necessary funds to ensure the restoration of the historic sharing relationship between the state and its municipalities was certainly an unforeseen and unfortunate development. However, the commitment of $1.7 of recurring revenues to fund refunds was for this year, alone. As such, the majority of these revenues will be available for programming in the Fiscal Year 2025-2026 budget.

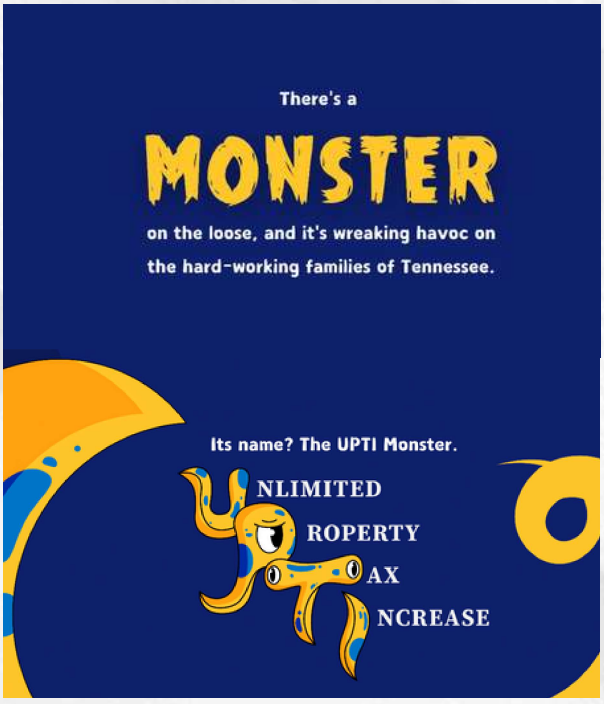
Property Tax Cap

The most significant of all the bills affecting municipalities, new or repeated, was the legislation seeking to impose a cap on local property tax rates. A property tax cap is wholly unnecessary. Tennessee's municipal leaders are fiscally responsible and good stewards of local tax dollars. Municipal property taxes are already among the lowest in the nation. A property tax cap will also increase borrowing costs borne by taxpayers, limit flexibility to respond to changing economic situations and other unforeseen needs, and adversely affect the services and quality of life enjoyed by municipal residents. For these reasons, the Tennessee Municipal League actively opposed this legislation.

Within months of Dr. Arthur Laffer's presentation to a House subcommittee, in which he called for the imposition of a property tax cap, he and other supporters had commenced with plans to make a cap a reality. Late last November, the League learned that Dr. Laffer had secured the services of a well-regarded lobbyist and a veteran national campaign operative and was raising funding to support a campaign to gain support for legislation being developed for introduction.

The Beacon Center and Tennessee Stands joined Dr. Laffer's efforts as they embarked on a coordinated, multi-organizational and well-funded campaign to limit property tax revenues.

As the new year approached, evidence that the campaign had begun emerged as legislators reported having received telephone calls and emails spurred by a grassroots campaign, funded by the dollars raised for the effort. These reports were soon followed by additional reports of office visits with legislative leaders, the Comptroller and other legislators. Similar efforts in support of a property tax cap appeared as Dr. Laffer's group, TennCap, was joined by the Beacon Center and Tennessee Stands. Thus, the beginning of the Session brought the realization of a coordinated, multi-organizational and well-funded campaign to limit property tax revenues.



The grassroots campaign used various methods to convey their messages including targeting specific legislators who opposed the property tax cap and ultimately limiting local governments ability to respond to their community needs.

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Two separate bills were filed

SB 171 (Stevens) / HB565 (Todd)

The first of these bills was initially championed by the Beacon Center and introduced last year. This bill was sponsored by Senator Stevens and Representative Todd. The legislation sought to prohibit a local government from enacting an increase in the property tax rate that results in a year-over-year growth in property tax revenues that exceeded inflation plus two percent or that exceeded inflation plus six percent over the three most recent years, unless approved by the voters at referendum.

SB 2248 (Stevens) / HB1968 (Williams)

The second bill, which was also sponsored by Senator Stevens as well as Representative Williams, remained a veritable secret for most of the session. Ultimately, the text was revealed and the full intent of the sponsors and supporters was known. Under the amended bill, local governments would have been prohibited from levying a property tax at a rate that produces an annual increase in property tax revenues in excess of 5%. This cap is not absolute as the bill would allow revenues associated with new properties and improvements as well as debt service payments related to general obligation bonds to be excluded from the 5% limit. The bill also provided a limited exception to the 5% limit for capital projects. Under the exception, a local government could exceed the limit to fund capital projects for a period of up to four years, provided the levy was approved at referendum. In this case, the referendum could not be utilized to exceed the 5% cap for any reason other than to fund capital projects for four years.

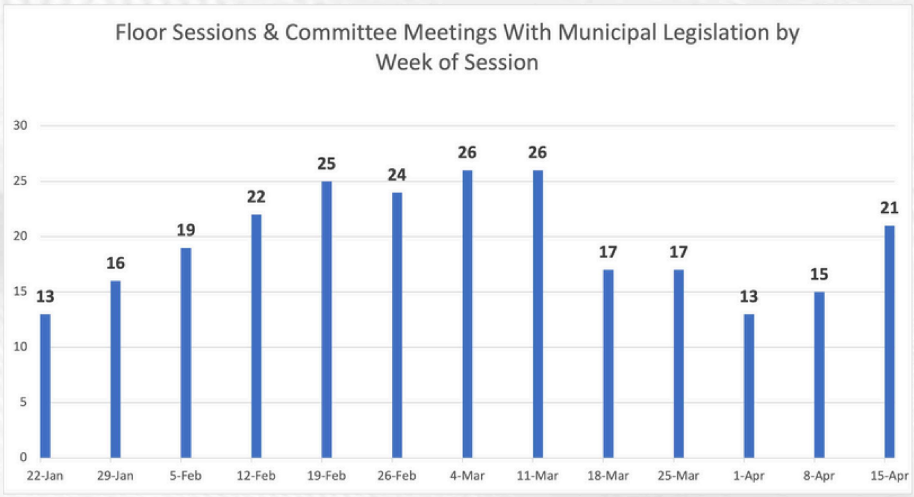
Enactment would hinder local governments ability to respond to fiscal challenges, affect credit ratings

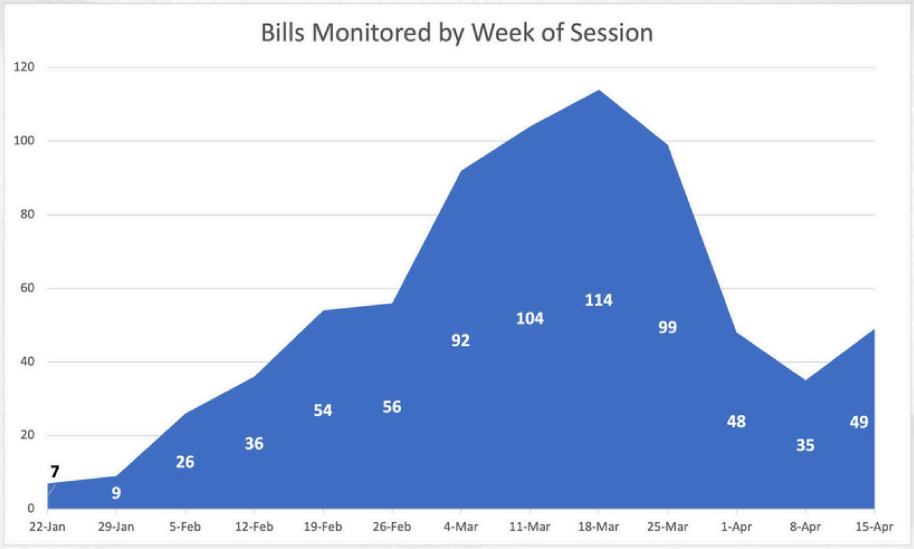
If enacted, these proposals would adversely affect municipal credit ratings and expose municipalities and residents to legal and financing consequences. Enactment of either would also intentionally hinder municipalities ability to respond to fiscal challenges and to maintain a stable financial position. If a property tax cap were to become law, it would alter essential services and delay maintenance of infrastructure and new construction. Adoption would also impair local governments' ability to meet contractual requirements or satisfy federal requirements and state maintenance of effort, risking fines and penalties, loss of shared revenues or eligibility for grants and low-interest loans. It is important to note that in addition to these universal concerns related to the imposition of a cap, there are additional, specific concerns pertaining to the second bill. For example, the Stevens-Williams bill does not exclude inflationary effects. Therefore, new revenues required to offset the effects of inflation on the current level of services and expenses each year would count against the cap. Additionally, the exclusion for debt service payments only applies to bonds. Debt service payments related to loans, capital outlay notes or other contractual obligations would count against the cap.

Legislation Affecting Municipalities

A total of 1,415 bills were filed this session. The legislative team identified 649 unique bills filed this year that directly affected or had the potential to directly affect municipalities. Of the 649 bills identified, 342 bills directly affecting or potentially affecting municipal authority, operations or revenues were considered by at least one committee during the legislative session. This report does not attempt to detail the specific content or address the happenings surrounding each of the 342 bills relating to municipalities considered by the General Assembly this year. Instead, the summary is focused on highlighting the issue areas most frequently entertained by the General Assembly. When examining a listing of the 342 bills by issue area, this year's list is not dissimilar to what we have seen in the recent past. However, the number of bills related to public safety and elections filed this year is outside of the norm. Additionally, there were fewer bills filed related to land use, open records and public meetings than in recent years.

An analysis of the number of committee meetings and floor sessions conducted each week in which legislation of importance to municipalities was considered offers insight into the legislative team's activities during the session. Most such meetings or sessions included consideration of several bills affecting municipalities. The total number of meetings and sessions that required the team's engagement ranged from a low of 13 meetings or sessions per week to a high of 26. During the peak of the legislative activity, the team participated in a total of 25 meetings and floor sessions per week that included consideration of 102 bills, on average, that affected municipalities.

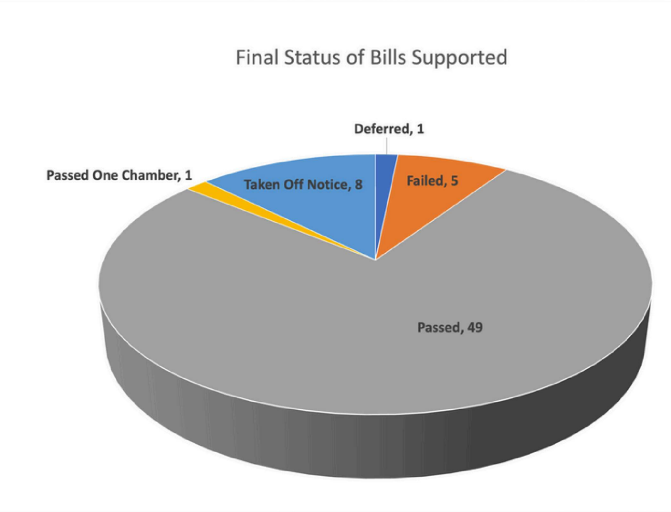




Of the 342 bills considered that directly affected or had the potential to directly affect municipal authority, operations, or revenues, 113 warranted the League taking a public position of either support or opposition. TML publicly supported 64 of these 113 bills, while formally opposing 49 bills. In addition, the legislative team worked to develop and secure passage of 34 amendments that improved the underlying legislation.

In summary, our legislative team identified 649 of the bills filed this legislative session that directly affected or had the potential to directly affect municipalities. Of these, 342 were considered by the General Assembly. TML took a public position of support or oppose on 113 bills. 75% of the bills TML publicly supported were enacted. 93% of the bills TML opposed did not become law. All told, 34 bills were improved by an amendment – 22 of which bad or so-so bills were made good or good bills were made better.

Aside from the property tax legislation and the League's state-shared sales tax initiative, this Session saw the introduction and consideration of significant legislation affecting municipalities in seven areas that we have chosen to highlight; including finance and taxation, land use, housing, public safety, elections, and open meetings and public records



Final Status	Oppose
Deferred	1
Failed	10
Passed	4
Passed One Chamber	1
Summer Study	1
Taken Off Notice	32

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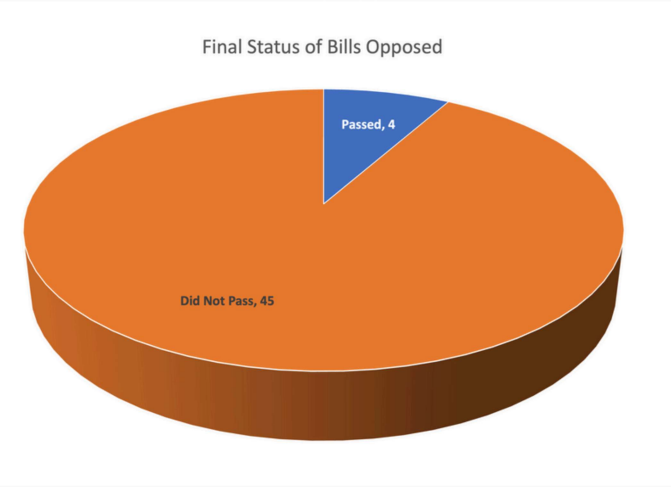

Finance and Taxation

A number of bills affecting municipal revenues and taxing authority, other than the aforementioned property tax cap legislation, were considered this Session. Among those bills considered were other bills targeting the local property tax, including a Comptroller-led effort to allow local governments to reduce the reappraisal cycle. Another bill considered sought to cap the combined city and county levy on overnight lodging stays and to impose additional audit requirements and obligations pertaining to the use of hotel-motel tax revenues. Also considered were bills related to the local option sales tax and local development taxes.

SB1946 / HB2057: Reducing Period between Appraisals

Legislation initiated by the Comptroller to modify the reappraisal cycle won the support of a majority of senators but failed to secure passage in the House. The bill reduced the time permitted between reappraisal cycles from the current requirement of every four to six years to once every one to four years. The initiative intended to shrink the window between appraisals and offset the adverse effects of the sales tax ratio on the assessed value of property in each jurisdiction. However, some erroneously asserted the proposed changes are intended to increase the tax paid by residents, fueling opposition among House members.

SB1675 / HB2241: Hotel-Motel Rate Cap

The Tennessee lodging industry failed in their attempt to reverse an agreement codified in law in 2021 by imposing a combined city-county cap of 8 percent on overnight stays. The proposed cap applied to any jurisdiction that levies a lodging tax, without regard to when such tax was adopted. The proposal also included enhanced auditing requirements and reports.

SB1676 / HB2240: Hotel-Motel Revenues Audit

Unable to secure the votes to adopt a combined lodging tax cap and enhanced audit requirements bill, the lodging industry successfully enacted legislation that contained only the audit provisions. The industry alleged the enhanced audit requirements were necessary because local jurisdictions were spending hotel-motel revenues on unauthorized items and activities. Under the new law, a local government that levies a lodging tax must prepare and submit a report to the Comptroller, the Commissioner of the Department of Tourist Development, the Chair of the Senate State and Local Government Committee, and the Chair of the House Local Government Committee annually. This report must detail the associated revenues collected, the amount of the revenues spent, and how expenditures were designated and used for tourism and tourism development. However, the Act makes allowances for those local governments whose lodging tax was in effect prior to July 2, 2021. Such local governments are permitted to expend lodging revenues in the manner prescribed in the private act, resolution, or ordinance that established the levy. If the Comptroller finds that a local government has spent revenues for an unauthorized purpose, then the local government must appropriate an equal amount from general funds to support tourism and tourism development in the next fiscal year

SB2520 / HB2641: Reduction in Local Option Sales Tax Rate on Food Purchases
Under legislation enacted this year, a local government may choose, by ordinance, to reduce the local option sales tax rate applied to the retail sale of food and food ingredients. In its initial form, a county could independently elect to reduce the local option sales tax applied to food and food ingredients for itself and all the municipalities within the county. TML opposed this legislation and secured two significant changes in the final version. First, the amendment eliminated the possibility that a county could decide the matter for all the municipalities located within the county. The amended version ensures that only a municipality can reduce the municipal rate. Second, a municipality may only reduce its local option sales tax rate applied to the sale of food and food ingredients if the county's local option sales tax rate is less than that of the municipality and, then, only by an amount equal to the difference between the municipal and county rate. For example, suppose a municipality levies a local option sales tax at 2.50 percent, and the county levies 2.25 percent on local sales. In that case, the municipality may only reduce its sales tax levy on food and ingredients by 0.25 percent. Suppose the county in which a municipality is located levies a local option sales tax at a rate greater than or equal to the municipal rate. In that case, the municipality may not reduce the local sales tax on food and food ingredients

SB2261 / HB2426: Development Taxes in High-Growth Counties
Several bills were filed to relieve local governments struggling with fiscal pressures emanating from significant growth. These bills included private acts and general law charter changes that authorized impact fees, adequate facilities taxes, and development taxes. While most of these bills were either not considered or received little discussion, one bill was adopted. The new law amends the County Powers Relief Act and only applies to qualifying counties. The enacted bill permits qualifying counties to levy a development tax based on the combined floor area of new development. Under the new law, such counties may impose a tax of up to $1.50 per square foot on any new residential development and up to $1.50 per square foot on up to 150,000 square feet of commercial property development. Eligible counties must have experienced either a growth rate of 20 percent or more in total population between the 2010 and 2020 federal census or at least a 9 percent increase in population over four consecutive years. Those counties relying upon the decennial census must verify eligibility every 10 years, while others must verify continued eligibility every four years.

SB1581 / HB1974: Redirecting Sales Tax to Highway Fund
The legislative team also worked to prevent a bill from becoming law that would have allocated all revenue generated from the sales of new or used motor vehicles and tires to the state highway fund. The bill would have redirected more than $51 million in local sales tax revenues to the state fund if enacted.

SB129 / HB526: Depreciation of Certain Expenses
For several years, there has been a sustained effort to exempt a municipal water or wastewater system from depreciation requirements if associated with a project funded by a federal or state grant or loan. The Comptroller has repeatedly opposed such efforts, citing an inconsistency with generally accepted accounting principles intended to ensure the availability of funds for replacement costs. The Comptroller's opposition continues; however, this new law reflects a compromise that allows a local governing body to exclude qualifying assets from depreciation requirements for the 12 months following procurement or completion.

Land Use and Related Authority

Over the last decade, Tennessee has continued to experience consistent growth in population as individuals and families have chosen to relocate to Tennessee. This trend is evident in the fact that Tennessee continues to be among the nation's leaders in migration, ranking fifth of all states in 2023. While some areas of the state have realized more growth than other areas, the vast majority of the state is experiencing some population growth as demonstrated by the fact 90 of the state's 95 counties realized an increase in population last year. The steady influx of individuals and families relocating to Tennessee has precipitated conflict between those seeking to preserve Tennessee and the obvious need to house and serve the new inhabitants. The need to expand services has also strained budgets and led to heated debates about how the cost of expansion should be funded. The issues related to growth have kept land use and related authorities the focus of legislation.

SB2100: Governor's Third-Party Inspections and Plans Review

In his 2024 State of the State address, Governor Lee suggested that recent growth has led to increased demand and more significant projects and that the local inspections and plans review process has become bureaucratic and slow. Consequently, local governments are falling behind. Delays cost builders and developers and, ultimately, the purchaser. Thus, the governor proposed statewide legislation that permits a builder or developer to engage a third-party plans reviewer to review building plans and a third-party inspector to conduct building and codes inspections. He reasoned that enacting the proposal would make building homes and businesses more cost-effective and, thus, more attainable to Tennesseans. The General Assembly adopted the governor's legislation with few changes. Under the new law, a builder or developer can contract with a qualified third-party inspector or plans examiner. Upon completion of either the inspection or examination of the plans, the third-party prepares and submits a report to the local jurisdiction. In the case of a plans' examination, the local jurisdiction has up to 10 days from receipt of the third-party submission to either approve the plans, provide a report of deficiencies, or request additional information to ensure compliance. Similarly, a local jurisdiction must either accept the inspection, reject the inspection, and provide a report of deficiencies, or request additional information within 10 days of receipt. If a local jurisdiction fails to take any action within 10 days of receipt of either plans or an inspection from a third party, then the builder or developer may withdraw the submission and submit the third-party report of inspection or plans examination to the State Fire Marshal. The local jurisdiction must accept any third-party report the State Fire Marshal approved. The League and its member cities opposed this legislation and engaged directly with the Administration and legislators to find a more agreeable alternative. Initially, our team argued that the bill was unnecessary as delays were uncommon. Next, the team proposed that the third-party option should be available only when documented delays exist. When the Administration rejected these two options, the team suggested local jurisdictions be permitted to develop a list of approved third-party inspectors and plan examiners. Finally, the team worked with municipal officials and professionals to create an amendment that included almost a dozen changes. Most notably, the amendment included language providing local jurisdictions with immunity for any liability arising from the acceptance or

reliance upon third-party inspections or plans and requiring third-party examiners and inspectors to maintain liability insurance and indemnify local jurisdictions. Unfortunately, the final version included only a few technical and clarifying provisions proposed in our amendment.

SB2834 / HB2925: Speaker's Utility Improvements Compensation
Legislation was enacted to ensure that utilities compensate builders or developers in exchange for specific offsite utility improvements associated with a project. Supporters argued that some utilities required upgrades to offsite improvements such as larger pipes or additional infrastructure to improve capacity to serve other planned areas or increase pressure and flow to different areas and customers. Proponents further argued that such upgrades to improvements were not necessary to serve the project in question but were intended only to benefit future developments. Thus, the developer should not be responsible for the costs of providing any capacity or pressure beyond what is necessary to serve the existing project. The argument is consistent with existing practices and believed to be the norm. However, the original bill was too broadly drafted and would have required compensation for any improvement. TML opposed the initial bill and worked with other interested parties and the legislation's sponsors to develop a workable amendment that would codify existing best practices without exposing taxpayers to overly broad and burdensome compensation obligations. Under the negotiated agreement, a utility could continue to require improvements necessary to satisfy existing local standards generally applicable to all developments within the city without compensation. Compliance with existing standards will ensure consistent service levels for all customers and future occupants or residents of the proposed development. However, an upgrade to offsite improvements imposed only to increase the utility system's capacity to serve future customers must include a cost-sharing arrangement.

SB1761: Chickens and Rabbits
TML opposed and actively worked to prevent the adoption of a bill that prohibited a county or municipality from adopting or enforcing a regulation that prohibits the growing of fruits and vegetables, or the raising or keeping of six or fewer chickens or six or fewer adult rabbits, in the side or rear yard of a single-family residential lot. Moreover, any existing ordinance prohibiting either rabbits, chickens, or gardens in residential neighborhoods would be null and void. However, a local government could prohibit roosters and impose reasonable regulations on the raising of chickens and rabbits, including controlling odor, noise, safety, or sanitary conditions; requiring fencing; and establishing a minimum distance between animal shelters and a neighboring residence.

SB1983: 4-Part Test for Condemnation
This legislation sought to permit a property owner to challenge a condemnation based on necessity and created a four-part test for the court's use in its determination. The League opposed the bill as originally written and worked with the bill's sponsors on an amendment that addressed our concerns. Ultimately, the bill was amended and adopted in a more favorable form. As filed, the bill established that when a condemner approves the use of eminent domain, the property owner has the right to have a court of competent jurisdiction determine if the taking is necessary to accomplish the public use. The determination of necessity is to be based on a four-part test. It requires the condemner to prove, by a preponderance of the evidence, that the condemnation satisfies each of the four components:

1. The property is required for public use.
2. The condemner has a plan and reasonable schedule to accomplish public use.
3. The condemner has the funds to complete the public use.
4. The public use cannot be accomplished by using or acquiring other property.

Under the amended version, the cause of action does not apply to condemnation actions related to transportation or utility infrastructure or projects. The amendment also amends the fourth test to ensure that any alternate site must be within the vicinity of the property proposed for condemnation and that utilizing an alternate property would not result in an unreasonable increase in cost, delay the project, or reduce the effectiveness of the property for such use. This amended version was enacted.

SB2131 /HB1983: County Approval for Decisions Affecting Unincorporated Residents

TML opposed this bill, which would have required the approval of the county commission before a municipality could take any action that results or might result in residents of the unincorporated areas of the county incurring any increased fees, costs, or tax liability. The sponsors were unable to garner enough support in either the Senate or House committees and elected not to pursue passage. The proposed legislation sought to prohibit cities from imposing additional tax liability. This, on its face, is a bit nonsensical as a municipality lacks authority to impose taxes on individuals or properties located outside its jurisdiction. Additionally, the bill attempted to prohibit new fees or other costs. As neither fees nor costs were defined in the bill, it could potentially preclude an increase in fees a municipality might charge individuals associated with the use of a municipal library, recreational center, swimming pool, or participation in a sports league. It is also possible that it could have included business licenses or permits associated with construction or excavation in those cities with extraterritorial zoning authority. Other costs captured under the prohibition would be utility rates, which creates two significant problems:

- If a city utility serves customers outside its boundary and the county commission rejects or delays its response, it would necessitate an extra increase on customers residing within the city.
- An inability to raise utility rates could imperil debt obligations.

Moreover, the rejection or delay of a decision by the county commission would impact operations other than utilities and potentially result in an increase in costs for projects and require municipal residents to assume a larger-than-expected debt load.

SB2238 / HB2467: Local Option Present Use Property Tax Credit

The sponsors initially attempted to create a new allowance modifying property assessments for owners of residential property that had resided on the property for at least 25 years and whose property was subsequently rezoned for commercial use. The justification offered for the allowance was that the increased market value of the residential property that had been subsequently zoned for commercial use had caused those owners' property taxes to rise to such an extent that they were forced to sell their home of many years. The bill was later amended in Senate and House committees to provide the authority for a local government to choose to create a program that permits a credit to be awarded to and utilized by qualifying owners of such properties to reduce the amount of property tax due. While adopting the amendment allowed the revised bill to proceed to the respective finance committees, neither house considered the amended bill before the end of the session.

SB2370 / HB2309: Digital Mining

Digital mining for blockchain assets is largely conducted in commercial or industrial buildings. Such mining is known to consume considerable amounts of energy and create noise at levels that surrounding property owners find bothersome. TML opposed legislation that would have permitted individuals to engage in digital asset mining within their homes, provided the noise generated was within the limits established under any municipal noise ordinance. Such activities should be restricted to commercial and industrial areas where energy consumption can be better regulated, thereby avoiding disruptions in service. Facing questions and confronted by opposition, sponsors of this legislation elected to withdraw consideration of their bill this session.

SB2422 / HB2425: Notice of Annexation

Interest in annexation and deannexation has waned. However, these issues are not completely out of mind as we continue to see a few bills filed on the subjects each year. This year, one such bill was enacted. This new law requires the notice of a hearing on a proposed annexation to be issued 21 days prior to the hearing rather than 14 days, as is currently required. Similarly, the notice relating to hearings pertaining to plans of services must be published 21 days in advance rather than fifteen days before the hearing.

SB2430 / HB2530: Development Standards

LP, a producer of engineered building products, failed in its attempt to upset an agreement the League reached with the Tennessee State Chamber of Commerce and Industry and other interested parties. LP's legislation sought to delete provisions of law containing the compromise language. The net effect of the bill was to prevent municipalities from ensuring that any new development reflects the character and aesthetic qualities desired by community residents. Specifically, LP wanted to prohibit the adoption of any local development or design standards relating to the use of building materials, and architectural, structural, or aesthetic requirements. Additionally, LP's legislation would have precluded the standards and overlays utilized to preserve historic areas. TML adamantly opposed the attempt to preempt local control by negating the compromise that was the result of a months-long negotiations. The League rallied architects, engineers, and other supportive parties in support of the effort to preserve the 2022 compromise. Unable to garner sufficient support to secure committee passage in either the Senate or House, the sponsors elected not to pursue the bill.

SB2099 / HB1890: Farmland Conservation

A recent study by the University of Tennessee, conducted in cooperation with the Tennessee Farm Bureau, explored the loss of agricultural properties across the state and prompted a Lee Administration initiative. The study's finding that Tennessee was among the nation's leaders in the loss of farmland led the Governor to propose providing $25 million to the Tennessee Department of Agriculture to purchase fifteen-year agricultural easements from farmers. The compensation a farmer would receive was to be based on the difference in the value of the land restricted for agriculture compared to its value without such restriction. These easements are intended to incentivize owners of agricultural properties to resist selling their land to developers for a significant profit and to continue farming, thereby preserving the land for agricultural use. The Governor's proposal quickly passed the House. However, deep-seated concerns about the state purchasing and owning land, shared by several senators on the Senate Energy, Agriculture, and Natural Resources Committee, sank the Governor's plan.

SB1659 / HB2054: Expansion of Greenbelt

This Farm Bureau initiative sought to increase the number of acres of land that property owners may claim as agricultural, forest, or open space land under the Greenbelt program within a taxing jurisdiction from 1,500 to 5,000. For most of the session, this legislation seemed destined to perish due to the revenue loss experienced by local governments, estimated to exceed $3 million annually. However, the unexpected demise of the Governor's agricultural easement program seemed to breathe new life into this effort in the closing hours. Members of the General Assembly seemed determined to respond to concerns highlighted by the University of Tennessee and Farm Bureau study. Finance Committees amended the bill to decrease the proposed maximum acreage eligible for Greenbelt protection from 5,000 to 3,000 acres. While the reduction in acreage reduced the anticipated property tax revenue loss incurred by local governments, the recurring loss is projected to exceed $2 million annually. Despite the estimated losses, the bill was enacted into law. Given the acreage requirements, the vast majority of this loss is assumed to be realized by county governments, but it is possible that some municipalities may also see property tax revenues decline as a result.

SB2806 / HB2888: Diminution of Value

Once again, the League successfully defended against an attempt to establish a method for a property owner who believes that either the adoption or enforcement of land use regulations has diminished the value of the owner's property by at least $50,000 to seek just compensation. Determination of the value would be left to the owner's assertation, and the owner would be permitted to establish the property's original value based on its highest and best use, regardless of future plans for such land. Each time a municipality altered zoning, created an overlay, expanded a roadway, constructed a sidewalk, installed utilities, purchased an easement, or imposed density requirements, any property owner could allege damages of over $50,000 and demand compensation from the taxpayers. A local government would have 90 days to modify or rescind the action, pay the compensation, or refuse to compensate the owner. If a municipality refused compensation or offered less than the owner demanded, the owner could file suit in chancery court. The League has consistently opposed this legislation for two primary reasons. First, the Constitution and state law establish processes and procedures for such claims against a local government. Second, the Courts have established a body of case law that provides standards and guidance concerning such claims. Creating an additional method to pursue such claims is wholly unnecessary, sure to create confusion, and likely to offer property owners an unwarranted measure of hope of being compensated.

SB2374 /HB2317: Childcare Facilities

The General Assembly directed the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to study and report on the laws, regulations, and rules affecting the start-up, operation, and expansion of childcare facilities in the state. This study was the byproduct of several bills related to barriers to establishing childcare centers and accessibility to childcare. Of particular interest to municipalities is the directive related to studying how local government zoning, development standards, permitting, licensing, and other local regulations affect the experiences and costs incurred by prospective childcare facility operators.

Gov. Bill Lee speaks during a press conference at the end of session at Tennessee Capitol in Nashville, Gov. Gov Bill Lee speaks during a press conference at the end of session at Tennessee Capitol in Nashville April 25, 2024. He is flanked by (L to R) House Leader William Lamberth, House Speaker Cameron Sexton, Lt. Gov. Randy McNally, and Senator Leader Jack Johnson.

Housing

Conditions and challenges routinely associated with insufficient inventory of housing, supply chain difficulties, and high interest rates are only amplified under sustained periods of migration such as we have experienced in Tennessee. The inability of young couples, seniors, working professionals and public sector employees to find homes they can afford to purchase or rent has led to the call for more affordable or attainable housing. Housing is complex and multi-faceted. Solutions are often evasive. When a solution is identified, its effect is typically limited and not necessarily transferable to other locations or situations. Nevertheless, the frustrations voiced by Tennesseans regarding the difficulties encountered when trying to purchase or rent a home have reached elected officials. In response, legislators have filed legislation seeking to allow local government to offer incentives or to facilitate investment to spur development of attainable housing. Other bills offered a new twist on a familiar subject, seemingly intending to take advantage of the momentum to recast previously rejected ideas to restrict local regulatory authority as housing initiatives. Supporters of such efforts argued that the secret to more affordable housing prices lie in the elimination or limitation of local development and building requirements that are driving up housing costs.

SB2496 / HB2623: Voluntary Attainable Program for Multi-Family Housing
This housing initiative was initiated by the City of Chattanooga, supported by other municipalities, endorsed by the TML Board, and advanced with the assistance of our legislative team. Before enactment of this law, Tennessee's municipalities were barred from offering incentives to promote the construction of affordable housing. This Act allows a municipal governing body to create a local voluntary attainable housing incentive program to increase housing supply across various price points to serve young professionals, new couples, seniors, municipal workers, and those employees serving the businesses that support our communities. These incentives will reduce development costs, increase an owner's margins, and make the construction of attainable housing more likely. The law provides that the incentives may be used only to construct, sell, or rent residential buildings containing at least five rental units. Each municipality choosing to create a voluntary incentives program may specify the incentives offered and define the areas of the municipality where incentives are available. Qualifying incentives can include special exceptions or conditional uses under zoning and other incentives the municipality may elect to include, such as eliminating setbacks, removing height or floor restrictions, reducing square footage requirements, reducing requirements for parking spaces, or other such measures. The law also requires a developer or builder to notify the municipality of their interest in utilizing incentives to construct attainable housing. Moreover, owners must attest that they voluntarily chose to take advantage of the incentives and engage in the project.

SB2124 / HB2292: Choose Four
This bill promotes more affordable housing by reducing or eliminating municipal standards. TML successfully opposed this legislation, arguing such requirements violate local decision-making and invalidate community preferences. Under the bill, a municipality must select four actions from among a menu of twelve specified actions intended to eliminate or substantially reduce local standards. The menu of twelve specified actions included the following: Allow a duplex, tri-plex or four-plex where only single-family housing is permitted; Eliminate or reduce off-street parking requirements; Allow the construction of accessory dwelling units in single-family residential neighborhoods; Allow construction of buildings designed for single-room dwellings; Eliminate or reduce minimum lot sizes; Eliminate aesthetic, material and size standards for multi-family and mixed-use developments; Create zoning that allows tiny homes; Eliminate or reduce setbacks; and, Allow multi-family and mixed-use developments in commercial areas. A municipality's failure to comply with these requirements results in loss of eligibility for nine popular state grant programs, including the Three-Star, Tennessee Main Streets, Tennessee Downtown, and grants benefitting local parks and recreation facilities, among others.

SB2281 / HB2850: Multi-Family for AirBnb and Housing

The short-term rental giant AirBnb sought to take advantage of the focus on attainable housing to promote the creation of short-term rental properties (STRPs). The League opposed this legislation because it amounted to nothing more than a mechanism to allow the construction of STRPs in areas where they are not permitted. The proposal would have allowed owners to construct duplexes and quadplexes in areas zoned for commercial or industrial use, provided the owner offered at least half of the units for rent at below-market rates. If the owner provided such assurance, those units not covered under the below-market assurance could be utilized as STRPs. Aside from the fact that the entire premise assumes the construction of units in locations incompatible with residential use, there is one other fundamental flaw in the legislation. That flaw included a provision allowing the owner of such properties to abandon the below-market assurance after one year. Thus, an owner could develop two- or four-unit buildings within a commercial or industrial area under the guise of providing affordable housing options and fully convert all units to STRPs after the initial 12 months of operation. Our team exposed this weakness, and the bill's sponsors elected not to proceed with further consideration.

SB2315 / HB2368: Residential Infrastructure Development

A group of developers and home builders created a new means of financing development costs and reducing housing costs. This legislation was a much-improved offering of a problematic idea attempted in the past known as public improvement districts. The supporters of this legislation met with our team, the Comptroller, counties, and other interested parties to identify and discuss concerns with those previous versions of public improvement districts. This improved offering, known as the "Residential Infrastructure Development Act," addresses most of the deficiencies noted in prior efforts. Chief among these improvements is that this bill is not a mandate, unlike past efforts. Under this version, a local government can establish a residential infrastructure development district. Including the local option, public hearings, and other enhancements led the League to decide not to oppose the modified approach reflected in this updated version of an old idea. The bill was adopted and signed into law by Governor Lee. Under the new law, a municipal governing body or several local governments in alliance may create one or more infrastructure development districts. Such districts must either comprise at least five acres or the capital cost of the development must exceed $5 million. A municipality, or municipalities, creating a district provides the financing for the infrastructure to be constructed in the development by borrowing, issuing bonds, notes, or other obligations. The creating municipality(ies) is authorized to levy a special assessment upon those property owners within the district to recoup the premium and interest payments associated with this debt obligation.

SB2182 / HB2797: Financing Infrastructure

A new law has been enacted, focusing on financing infrastructure in qualifying local jurisdictions. This law is applicable to a specific municipality within a county, identified by the Comptroller and the commissioner of ECD, as having an acute need for additional housing due to an economic development project expected to create 1,000 new jobs. The law allows these municipalities to establish an industrial development corporation to finance infrastructure costs in residential developments, in which a minimum of 80% of the developable area is dedicated to housing. The industrial development corporation is granted three specific powers:

1. The corporation is empowered to directly construct and install public infrastructure or enter into contracts with private parties.
2. The corporation may accept federal and/or state loans and grants to fund all or a portion of the public infrastructure's design, construction, installation, and financing.
3. The corporation may make loans and issue grants to private entities constructing and installing public infrastructure for qualified residential developments.

Public Safety

Legislators considered a number of proposed laws altering state law and ordinances impacting municipalities. Some proposed to preempt existing authority, while others proposed to impose additional requirements upon municipalities. The substance of these bill included subjects such as mutual aid, notification of immigration status, concurrent jurisdiction, firearms, traffic violations, and others.

SB2054 / HB2205: Concurrent Jurisdiction

The District Attorneys General Conference pursued legislation that would have cost municipalities with concurrent jurisdiction a significant amount of recurring funds had it become law. Municipalities with concurrent jurisdiction provide a courtroom, court clerks, a bailiff, court security, and other personnel for court dates. Prosecutorial responsibilities are the constitutional responsibility of the District Attorney. Yet, the bill required municipalities with concurrent jurisdiction to fully fund as many full-time Assistant District Attorney positions as the District Attorney demands. Moreover, the proposal also placed any personnel serving such courts under the operational control of the District Attorney. The Conference argues this legislation is needed because municipalities with concurrent jurisdiction are not paying the total costs incurred by a District Attorney to furnish a prosecutor for such courts. The twist – a chancery court considered the arguments put forth by the Conference and ruled in favor of the municipalities involved. That case is pending appeal. Thus, the Conference brought this legislation to rewrite the law the way it wanted the provision interpreted. In doing so, the Conference also violated a time-honored practice observed by the General Assembly that precludes legislating on a legal question while it is being litigated. Unaware of the backstory and ongoing lawsuit, the House passed this legislation believing it was "clarifying" in nature. However, a Senate committee elected to send the legislation to the Tennessee Commission on Intergovernmental Relations, citing the need to gather all the facts before proceeding.

SB2180 / HB1904: Carrying Where Posted

Individuals, businesses, and governmental entities are allowed to prohibit or limit the possession of a weapon on property owned or controlled by that individual, business, or governmental entity. This bill stated that a person with an enhanced or concealed carry permit who carries a concealed weapon into a facility whose owner has prohibited weapons on the property must remove the weapon upon request of the owner. However, the bill also stated that a person who does not comply with the owner's request to remove the gun from the premises is no longer subject to being charged with a Class B misdemeanor. This legislation failed in a Senate committee.

SB2912 / HB2032: Carrying Where Posted (Again)

This legislation was virtually identical to SB2180 /HB1904 discussed above. The sponsors of this bill elected to withdraw the bill from consideration.

SB2572 / HB1931: Policies Limiting Traffic Stops
The actions taken by the Memphis City Council in response to ongoing crime and policing issues led to the introduction of legislation intended to thwart the Council's actions. After considerable debate in the Senate and House committees, the bill was amended to more narrowly focus on the specific concerns of the bill's sponsors. The amended version declared any local resolution, ordinance, or policy that prohibits or limits a law enforcement agency to conduct traffic stops based on observation of or reasonable suspicion that the driver or passenger has violated a local ordinance or federal or state law to be null and void.

SB2576 / HB2124: Notification of Immigration Status
Currently, local law enforcement is allowed to communicate with federal officials concerning the immigration status of individuals detained. For example, those local law enforcement agencies that have entered into a memorandum of agreement under the federal 287(g) Program notify the U.S. Immigration and Customs Enforcement if an individual they arrest and detain is determined to be in the country unlawfully. This year's legislation requires law enforcement to communicate with federal officials regarding individuals known not to be lawfully present in the United States and to cooperate in such individuals' apprehension, detention, or removal. The Tennessee Sheriffs Association and Tennessee Association of Chiefs of Police were generally supportive or neutral on the legislation, reasoning that law enforcement already communicates with the federal government regarding an individual's immigration status. Moreover, any individual detained by a local government is already in custody due to an arrest for another offense.

SB2763 / HB2035: Extreme Risk Protection Orders
The General Assembly also enacted legislation prohibiting a local government from adopting any ordinance or regulation related to an extreme risk protection order, commonly "known as" a Red Flag Law. The new law also prohibits a local government from accepting funding to implement and enforce such an order. Lastly, the new law declares any federal law, rule, or judicial order that enforces an extreme risk protection order null and void in Tennessee.

SB2710 / HB2814: Drag Racing
Unsanctioned drag racing on municipal streets is a problem in various locales. In response, a new law was adopted that increased the drag racing penalty from a Class A misdemeanor to a Class E felony.

SB2902 / HB2683: Supplemental Benefits for Public Safety Employees
For several years, representatives of local law enforcement and firefighters have attempted to secure a supplemental benefit to cover the period between the commencement of retirement benefits and the onset of eligibility for Social Security benefits. This year, those representatives were successful. Legislation that authorized the governing body of a municipality or county to adopt a resolution to establish such a supplemental benefit was adopted. However, before adopting this benefit, a local government must satisfy specific requirements and accept certain obligations. First, a governing body must authorize an actuarial study, at its own expense, to determine the liability associated with providing a hazardous duty supplemental benefit. Second, the local government must accept total liability for all costs related to the enhanced pension benefit. Third, the local government must be able to assume all liability for the supplemental benefit and maintain its funded status in the retirement system at 70 percent or above. Once these requirements and obligations are satisfied and the benefit established, the local government must satisfy the entirety of the estimated pension liability by either a lump sum payment, increasing the employer's contribution over the next fiscal year, or amortizing the unfunded accrued liability over a period of time not to exceed 10 years. An individual who has at least 20 years of creditable service in the retirement system as a law enforcement officer or firefighter, retires on a service retirement allowance or early service retirement allowance, and otherwise meets the requirements for retirement is eligible for this supplemental benefit. The benefit for qualifying officers and firefighters is equal to 0.375% of the individual's average final compensation multiplied by the years of service. For those individuals retiring on an early service retirement allowance under the legacy plan, the benefit is reduced by 0.4% for each month by which the member's date of early service retirement precedes the member's service retirement date. The benefit adjustment differs slightly for those participating in an alternate-defined or hybrid plan. A qualifying individual is eligible to begin receiving the supplemental benefit upon reaching age 60 and may continue to receive the benefit until the onset of full Social Security benefits at age 67.

Elections

Last year, our end of session report noted a significant increase and shift in the intent of bills relating to municipal elections. This theme continued into this year as a number of bills affecting municipal elections or relating to candidates for municipal office were filed. Fortunately, none of these bills were enacted. However, the recurrence of legislation in this area is worrisome and worthy of monitoring going forward.

SB1580 / HB1818: Recall for Municipal Officials

The League opposed legislation establishing a recall process for municipal officials and school board members. Under the bill, an official or member is subject to recall for physical or mental lack of fitness, incompetence, violation of the oath of office, official misconduct, lack of confidence, malfeasance, neglect of duty, voter dissatisfaction, or conviction of a felony offense. A petition signed by a number of voters equal to at least 20 percent of the total vote cast for that official in the last election is required to initiate a recall. Current law includes a mechanism to remove officials from office, rendering this legislation unnecessary. In addition, the offenses listed are so broad and subjective that they could render every municipal official subject to recall at some point. As a result of the League's efforts, the sponsors were unable to mobilize support and elected not to pursue further consideration.

SB2609 / HB2770: Moving Municipal Elections

Once again, the General Assembly considered legislation requiring municipal elections to coincide with either an August primary or a November general election. TML has consistently opposed this proposal because it violates local control. Elections only affect those within the city; thus, the municipality's residents should determine the date rather than have the decision dictated. Moreover, combining federal, state, county, and municipal elections is not necessarily a win-win scenario, as some portend. There are tradeoffs. Any cost savings incurred and any increase in voter turnout that may be realized by mandating election dates must be evaluated against other potentially ill effects. For example, suppose the municipal election is conducted in conjunction with an election for president or governor, congressional offices, state legislators, state judges, county offices, and city offices. In that case, the election can produce a lengthy and crowded ballot. Local races appear at the bottom of the ballot, and election experts have testified that not everyone completes their ballot. Thus, municipal offices might be skipped by voters. In addition, those voters who vote in any given election may be motivated solely by interest in a presidential, gubernatorial, or congressional office and not in tune with local issues or candidates. Additionally, the airwaves and most other forms of media are saturated with messaging from various national and state candidates during campaign season. As such, it is costly for municipal candidates to compete for advertising time. Also, local municipal issues differ from national and state party messaging. It is challenging for the voter to understand and appreciate municipal issues amidst the deluge of information regarding state and national matters.

Open Meetings and Public Records

Generally, a number of bills are considered each year that seek to amend the open meetings laws or alter the statutes governing public records. This year, we've chosen to include this issue in the summary because it marked an exception to the norm as very few bills addressing either subject were considered. The few considered attempted to change public notice requirements, clarify the "two or more" standard for meetings, and make certain CMFO materials confidential.

SB2798 / HB2890: Increasing Public Notice Requirements

Legislation was filed that would have amended a section of the law that includes a recent compromise TML and the counties negotiated with open meetings advocates regarding the posting of meeting agendas. Under the compromise, the governing body of any city or county must publish the meeting agenda at least 48 hours before a public meeting. The bill retained the compromise but added the requirement that notice of the meeting must be published at least five (5) days before the meeting, increasing the current requirement by three days. TML opposed this legislation and worked with other local governmental entities to defeat the proposal.

SB2813 / HB2373: Meeting with Legislative Delegation

TML supported a bill that amended the Open Meetings Act to clarify that a meeting between one or more members of a local legislative body and one or more of their state legislative delegation to exchange information or discuss state matters is not a violation of the law. The bill was enacted.

Miscellaneous

A number of select bills do not fit neatly into the categories highlighted above. The proposed laws considered that are encompassed in this category include initiatives regarding local governments' authority to make bulk fuel purchases, cybersecurity events, energy infrastructure improvements, culverts, and pursuit of grants associated with the United Nations International Agenda 21 plan.

SB2018 / HB2434: Immunity for Cybersecurity Event

Legislation exempted private entities from any liability associated with a cybersecurity event unless the event resulted from willful misconduct or gross negligence. Typically, this report would not include a bill that only affected private entities. However, this report includes this legislation because an amendment that extended immunity from liability to the state and local governments was adopted during the process. Unfortunately, the final version approved by the General Assembly did not extend immunity to either the state or local government.

SB2424 / HB2541: Energy Infrastructure Agreement

The General Assembly adopted legislation that authorized a municipality or county to negotiate and enter into an agreement for energy infrastructure improvements for clean or renewable energy.
Such agreements must specify the duration of the energy siting agreement; the proposed tract or tracts of land on which the energy project is proposed to be located, a description of the proposed energy project together with the nature of any allowable modifications to the described or depicted design of the energy project; and any additional terms determined to be necessary by the county or municipality and the developer. A municipality or county is also authorized to include reductions in setbacks, vegetative buffers, or other visual screening or fencing requirements that would otherwise be imposed on the energy project under existing applicable county or municipal ordinances or resolutions in an agreement. Additionally, the bill authorizes such projects to be located in a zoning district intended to be used primarily for agricultural or similar uses or in other rural areas. Moreover, any modifications of design standards or conditions included in an energy siting agreement are binding on local government during the vested period. Finally, the enacted bill prohibits a municipality or county from taking any action that would constitute a de facto prohibition of any energy project based solely on the failure of an energy project to be the subject of an energy siting agreement.

SB1948 / HB2584: Permit Fees for Culverts

Legislation was enacted that prohibits the Tennessee Department of Environment and Conservation from charging local government a fee for a general aquatic resource alteration permit to make either an emergency infrastructure repair, to make a general repair, or to replace a culvert.

SB 2432 /HB2547: Bulk Fuel Purchases

A bill was enacted that clarified that a county, municipality, metropolitan government, utility district, local education agency, or other local governmental entity may purchase gasoline or diesel fuel in the open market without public advertisement or competitive bidding when purchasing gasoline or diesel fuel in bulk amounts that would exceed the applicable bid limits.

SB2743 / HB2117: Attestation Regarding Pursuit of Certain Prohibited Grants

With the enactment of this bill, a municipal and county government is required to submit to the comptroller along with its annual audit a written attestation certifying that it has neither sought nor received a grant in intentional pursuit of a policy relative to Agenda 21, the 2030 Agenda for Sustainable Development, net zero goals for 2050, or another international law or ancillary plan of action that contravenes the U.S. constitution or the state constitution.

Finance and Taxation

Senate #	House #	Description	Final Status
SB171	HB565	Stevens-Todd property tax cap and referendum	Did Not Pass
SB2248	HB1968	Stevens-Williams (Laffer) property tax cap	Did Not Pass
SB1675	HB2241	Cap combined hotel-motel tax and require audit report	Did Not Pass
SB1676	HB2240	Hotel-motel tax audit report	PC1016
SB1946	HB2057	Comptroller: Reduce reappraisal schedule	Did Not Pass
SB2261	HB2426	Development taxes in high-growth counties for schools	PC990
SB2520	HB2641	Allow municipalities to reduce local option sales tax on food	PC917
SB1140	HB886	Allow grocer's to retain sales tax to compensate for collecting and remitting	TACIR Study
HJR851		Constitutional Amendment: Exempt historic properties from property tax	Did Not Pass

Land Use and Related Authority

Senate #	House #	Description	Final Status
SB1761	HB1850	Require chickens, rabbits and gardens to be allowed in single-family residential neighborhoods	Did Not Pass
SB1983	HB2119	Establish 4-part test prior to condemnation	PC748
SB1984	HB2120	Amend definition of "Public Use," for purposes of condemnation, to exclude parks, recreational facilities, or recreational purposes	PC1034
SB2131	HB1983	Prohibits municipal actions that affect or have the potential to affect costs, fees or tax obligations of unincorporated residents unless approved by county commission.	Did Not Pass
SB2238	HB2467	Local Option Present Use Exempt / Credit	Did Not Pass
SB2370	HB2309	Authorizes an individual to engage in digital asset mining in residence and a business within an area zoned industrial	Did Not Pass
SB2422	HB2425	Requires notification of annexation to certain people and extends timing of such notice.	PC701
SB2430	HB2530	Preclude local government from prohibiting use of certain building materials and regulating architectual or design standards	Did Not Pass
SB2099	HB1890	Governor Lee's Farmland Preservation Initiative	Did Not Pass
SB2100	HB1892	Governor Lee's third-party inspections and plans review	PC771
SB2834	HB2925	Requiring compensation for utility improvements in certain circumstances	PC820
SB1659	HB2054	Increases maximum acreage eligible for Greenbelt to 3,000 acres	PC978
SB2806	HB2888	Establish alternate compensation regimen for local land use decisions	Did Not Pass
SB75	HB28	Deletes growth plans, eliminates extraterritorial jurisdiction and requires county approval prior to annexation	Did Not Pass
SB2203	HB2208	Modifies the determination and allocation of local officials on JECDBs to ensure county majority	Did Not Pass
SB2374	HB2317	Effect of local regulation on childcare centers	TACIR Study
SB2321	HB2140	Locating of methadone clinics	Did Not Pass

Housing

Senate #	House #	Description	Final Status
SB2124	HB2292	Requires municipalities to eliminate or substantially reduce zoning and related requirements in four of twelve areas	Did Not Pass
SB2182	HB2797	Authorizes the creation of an IDC to award housing grants in areas determined to have acute housing need related to economic development project	PC956
SB2281	HB2850	Authorizes construction of short-term rental units provided half of units are utilized as affordable housing rental units	Did Not Pass
SB793	HB1450	Establish the process for assessment and valuation of low-income housing properties for property tax purposes (LIHTC)	Did Not Pass
SB2315	HB2368	Authorizes local governments to establish infrastructure development agreements for the purpose of establishing an alternative method to fund and finance capital infrastructure	PC860
SB2417	HB2581	Requires approval of affected local governments prior to PILOT agreement in counties with less than 60,000 residents	Did Not Pass
SB2496	HB2623	Allows local voluntary attainable housing incentives	PC1051

Public Safety

Senate #	House #	Description	Final Status
SB2054	HB2205	Require municipalities with concurrent jurisdiction to fund salary and benefits for ADA	Did Not Pass
SB2180	HB1904	Allows persons with enhanced or concealed carry permit to posess in locations where firearms prohibited or restricted	Did Not Pass
SB2572	HB1931	Prohibits adoption of an ordinance or policty that prohibits or limits law enforcement ability to detect and prevent crime and apprehend offenders	PC631
SB2576	HB2124	Require law enforcement agencies to communicate immigration status of anyone apprehenced that may not be lawfully present in the country.	PC716
SB2710	HB2814	Increases penalty for drag racing from Class A misdemeanor to Class E Felony	PC1000
SB2763	HB2035	Preempt local government from enacting any law related to Extreme Risk Protection Orders (Red Flag)	PC1062
SB2912	HB2032	Removes penalties for possessing firearm in a facility in which posession of firearm is prohibited for those with handgun carry permit	Did Not Pass
SB1939	HB1919	Clarification of mutual aid in non-emergencies	PC641
SB2902	HB2683	Allows provision of supplemental bridge benefit for law enforcement	PC919
SJR922		Constitutional Amendment: Allow municipal courts to impose civil penhalties up to $3,000 for ordinance violations	Did Not Pass
HJR858		Constitutional Amendment: Allow municipal courts to impose civil penhalties up to $3,000 for ordinance violations	Did Not Pass
HJR685		Constitutional Amendment: Establishing sheriff as chief law enforcement officer and responsibilities	Did Not Pass

Elections

Senate #	House #	Description	Final Status
SB1580	HB1818	Establishing recall process for municipal officials and school board members	Did Not Pass
SB1968	HB2080	Prohibit officials from petitioning for or holding more than one elective office	Did Not Pass
SB2119	HB2260	Extending voting rights to LLCs	Did Not Pass
SB2609	HB2770	Requiring municipal elections to coincide with either statewide primary or general elections	Did Not Pass
SB2928	HB2937	Prohibit individuals from holding municipal elected office and county elective office in a county with a population in excess of 200,000	PC763
SB405	HB2623	Requires state and local elections for public office to be partisan elections	Did Not Pass

Open Meetings and Public Records

Senate #	House #	Description	Final Status
SB2798	HB2890	Notice Public Meetings: Move 48 hours to 5 days	Did Not Pass
SB1744	HB1790	Comptroller: CMFO exam confidential	PC539
SB2813	HB2373	Amended Local meet State Legislators not violate 2 or more	PC818

Miscellaneous Legislation Affecting Municipalities

Senate #	House #	Description	Final Status
SB2018	HB2434	Exempt state from liability for cybersecurity event unless willful and gross negligence	PC991
SB2424	HB2541	Energy Infrastructure Improvement Agreements	PC814
SB2432	HB2547	Allow bulk purchase of gas or diesel without advertising or competitive bidding	PC661
SB2743	HB2117	Require local government to attest not sought or received grant in pursuit of Agenda 21	PC877
SB129	HB526	Depreciation: One-year holiday	PC1004

Governor Lee's Proposals

Senate #	House #	Description	Final Status
SB503	HB1183	Vouchers	Did Not Pass
SB2103	HB1893	F&E Tax Fix	PC950
SB2942	HB2973	Fiscal Year 2024-2025 Budget	PC966