



## Legislative Update for TGFOA Members - May 2025

The first Session of the 114th Tennessee General Assembly adjourned on Tuesday, April 22, 2025. Before adjourning the State Legislature passed the FY 2026 State Budget as well as related legislation impacting local governments.

### FY 2025 State Budget

- The \$59.8 billion budget assumes a growth rate for fiscal year 2026 of 2.0%.
- The General Fund budget balances without using fund balance and provides for an increase to the rainy-day fund of \$35.6 million, for a balance of \$2.185 billion.
- The budget contains \$244 million to strengthen education through the TISA funding formula growth including teacher pay increases, and \$198.4 million for teacher bonuses.
- The budget also contains the following grants:
  - \$20 million for volunteer fire departments;
  - \$5 million for rescue squads; and
  - \$5 million for EMS

The State passed several bills to help the local governments affected by the Hurricane Helene flooding. These bills help provide grants for FEMA reimbursement, interest payments on debt issued to perform repairs prior to FEMA reimbursement, as well as property tax relief for affected citizens.

### Bills affecting local governments that did not pass:

- The bill that would create a recall process for local elected officials.
- The bill that extends the authority for local governments to levy a surcharge on local privilege taxes to fund a transportation improvement program to all cities.
- The bill that would create school district capital improvement trusts.
- The bill that would cause local governments that underestimate revenues for MOE to pay its school system the difference in the next year's budget.

### Bills affecting local governments that did pass:

- House Bill 1338/Senate Bill 191 (PC 218 <https://publications.tnsosfiles.com/acts/114/pub/pc0218.pdf>) passed, requires Comptroller approval for local governments issuing heightened risk debt, or debt that contains an option to require repayment before maturity (i.e., a put option), an interest rate reset provision, or a variable interest rate. Updates the Balloon Indebtedness Law to: Include municipal energy authorities and reflect changes in the State of Tennessee's SRF loan program and the creation of new federal lending programs.
- House Bill 786/Senate Bill 704 (PC 170 <https://publications.tnsosfiles.com/acts/114/pub/pc0170.pdf>) passed, authorizes emergency operating loans for utility districts, authorities, and municipal utilities and places the issuing entity under COT and TBOUR oversight; removes an unneeded requirement to send and receive requests for proposals to underwriters and financial advisors for bond issues over \$50 million; and includes specific language for a TBOUR contested case hearing.

- House Bill 136/Senate Bill 114 (PC 17 <https://publications.tnsosfiles.com/acts/114/pub/pc0017.pdf>) passed, causes local governments to report a covenant violation, a credit rating downgrade, or a default to the Comptroller within 10 business days.
- House Bill 375 /Senate Bill 988 (PC 140 <https://publications.tnsosfiles.com/acts/114/pub/pc0140.pdf>) passed, requires each department, agency, or official of a local government who assesses and collects a fee of more than \$250 to document the justification and cost basis of the fee; makes such documentation a public record; subjects such documentation to an annual audit by the Comptroller of the Treasury.
- House Bill 421/Senate Bill 380 (PC 166 <https://publications.tnsosfiles.com/acts/114/pub/pc0166.pdf>) passed, creates a process by which a utility district commissioner who becomes ineligible to serve for failing to meet training and continuing education requirements may be petition to the TBOUR to be reinstated for eligibility to serve as a utility district commissioner; reduces the number of hours of training and continuing education for from 12 hours to six hours.
- House Bill 57/Senate Bill 115 (PC 18 <https://publications.tnsosfiles.com/acts/114/pub/pc0018.pdf>) passed, imposes a penalty on cities and towns with two or more late audits by withholding state-shared sales tax revenues until all outstanding audit are completed.
- House Bill 185/Senate Bill 109 (PC 44 <https://publications.tnsosfiles.com/acts/114/pub/pc0185.pdf>) passed, allows for contracted CMFOs to work less than 16 hours per month for small municipalities. Cities and towns must request approval from the Comptroller of the Treasury each year.