

Legislative Update for TGFOA Members - May 2026

The second Session of the 114th Tennessee General Assembly adjourned on Thursday, April 23, 2026. Before adjourning the State Legislature passed the FY 2027 State Budget as well as legislation impacting local governments.

FY 2027 State Budget

- The State's fiscal year 2027 budget is \$58 billion and is based on the state funding board's adopted growth rate for revenues of 2.25%.
- The General Fund budget balances without using fund balance and provides for an increase to the rainy-day fund of \$20 million, for a balance of \$2.2 billion.
- \$137 million from the General Fund will be used to help hospitals, particularly in rural areas, with uncompensated care.
- The budget contains \$339 million to strengthen education through the TISA funding formula growth including teacher pay increases.
- The budget also contains the following grants:
 - \$20 million for volunteer fire departments;
 - \$5 million for rescue squads; and
 - \$5 million for EMS

Bills affecting local governments that did not pass:

- Limit property tax increases to a set percentage including inflation without a referendum.
- Set the value of residential property for tax purposes at the higher of the most recent price paid for the property or the value attributed to the property by a financial institution when the owner refinances the mortgage.
- Create school district capital improvement trusts.
- Allow school districts to create an investment pool (LGIP).
- Prohibit an employee of a local government from also serving on the legislative body

Bills affecting local governments that did pass:

- House Bill 1516/Senate Bill 1592 (PC 1071 <https://publications.tnsosfiles.com/acts/114/pub/pc1071.pdf>) passed, creates a process for continuing funding for a municipal LEA when the municipal legislative body and the governing body for the LEA cannot agree on a budget; provides a process for continuing funding of municipal operations when a municipal legislative body has not adopted a budget by the first day of a fiscal year.
- House Bill 1672/Senate Bill 1679 (PC 694 <https://publications.tnsosfiles.com/acts/114/pub/pc0694.pdf>) passed, allows a local government to pledge its taxing authority to the repayment of grant anticipation notes and for the Comptroller to approve an emergency tax anticipation note before FEMA declares a disaster.
- House Bill 1673/Senate Bill 1595 (PC 952 <https://publications.tnsosfiles.com/acts/114/pub/pc0952.pdf>) passed, makes various changes and clarifications to laws regarding utilities, including the procedure for consolidation of utilities and continuing education requirements for members of utility governing bodies.
- House Bill 2407/Senate Bill 2334 (PC 863 <https://publications.tnsosfiles.com/acts/114/pub/pc0863.pdf>) passed, authorizes local governments of a certain size to use certain project delivery method that the local government determines most effective for the construction of qualified local projects.
- House Bill 1467/Senate Bill 1778 (PC 591 <https://publications.tnsosfiles.com/acts/114/pub/pc0591.pdf>) passed, exempts disaster grants administered by TEMA from statutory requirements related to procurement, except that the state retains the right to inspect places of business and audit books and records for compliance.
- House Bill 618/Senate Bill 624 (PC 596 <https://publications.tnsosfiles.com/acts/114/pub/pc0596.pdf>) passed, prohibits an individual holding an elected office of a local government from holding another elected office in this state at the same time; grandfathers individuals holding more than one office presently until the terms expire.
- House Bill 2616/Senate Bill 2162 (PC 1048 <https://publications.tnsosfiles.com/acts/114/pub/pc1048.pdf>) passed, authorizes governing bodies to conduct executive sessions for the purpose of considering employment of director-level staff.

- House Bill 2531/Senate Bill 1865 (PC 652 <https://publications.tnsosfiles.com/acts/114/pub/pc0652.pdf>) passed, creates the rescue squad grant program to provide annual grants to rescue squads to pay for firefighting equipment and training.