



Capitol Update - Week of February 28th

Legislature Moving Quickly to Review State Budget

Legislative leaders continue to target mid-April for an adjournment. Based on the progress being made on the state budget, it seems that they are serious about this goal. In the Senate, where departmental budgets are heard by standing committees, Finance Chairman Bo Watson announced on Monday that seven of the standing committees had 16 combined budgets to hear this week. Meanwhile, the House Finance Committee met three separate times this week - Monday and Wednesday mornings and Tuesday afternoon - to hear budget presentations from 11 different state departments, boards, and agencies. They are likewise scheduled to meet three times next week. These hearings are a chance for legislators to do a deeper dive into the spending of state departments. The focus on budget hearings early in the session often means that committees have limited time to hear legislation. That was the case this week as committees ran out of time before hearing many bills that were scheduled for consideration. These were deferred and rescheduled for next week.

Transportation Funding Measures

The House State and Local Government Committee approved [HB 695](#) by Rep. Baum, which raises the cap on mineral severance tax by \$0.15 over a ten-year period. The bill is slated for consideration in the Finance subcommittee meeting next Wednesday. The current cap is \$0.15, so the bill effectively doubles the maximum tax rate. It would take a vote of the county commission to increase their current mineral severance tax to the new cap limits. The companion bill - SB 889 by Sen. Reeves - is scheduled to be heard in the Senate State and Local Government Committee next week. This bill is a negotiated proposal supported by TCHOA, roadbuilders, and members of the aggregate industry.

[HB969/SB144](#) by Representative David Hawk and Senator Page Walley has begun moving through the General Assembly. As originally filed, the bill diverts the sales tax on new and used vehicles as well as the sales tax on tires from the state general fund to the highway fund. That proposal creates a shift of **more than \$1 billion**. The bill is expected to be amended to change the tire sales tax only. That proposal would equate to around \$95 million. This concept is funded in the Governor's budget. The bill has been sent to the House Finance, Ways and Means Committee; it is scheduled for consideration next Wednesday (March 5) in Senate Transportation.

Real Estate Transfer Tax

Work continues behind the scenes to build support for TCSA's major initiative this year, which, if passed, could return half of the real estate transfer tax to the county where the tax was collected. The bill is not



TENNESSEE COUNTY SERVICES ASSOCIATION

yet on notice in either chamber as discussions continue on how the measure could be funded. There is a great deal of support for the proposal, which would create a new shared revenue stream that counties could use for infrastructure investments and other non-recurring expenses. The challenge is finding a way to fund the bill, as it is not covered in the Governor's proposed budget.

Based on an average of the last four years' collections, the change proposed by this legislation would return \$150 million to county governments, but that means it creates a corresponding decrease in state funding. The bill ([HB649/HB1080](#) by Speaker Pro Tem Pat Marsh and Senate Majority Leader Jack Johnson) continues to collect additional co-sponsors in both chambers. County officials are urged to [talk to their representatives and senators](#) and ask them to sign the bill.

Development Related Legislation

This year saw a great deal of bills filed related to local planning, zoning, and codes regulations. Many of them focus on reducing local government regulations in the name of keeping housing more affordable.

[HB375](#) by Rep. Zachery moved out of the Cities and Counties Subcommittee and will be held by the full House State and Local Committee. As amended, it requires local governments to justify the costs of fees related to development that are in excess of \$250. The local government would need to maintain documentation of the justification of the fee amount. That documentation would be a public record and subject to audit by the Comptroller. In general, courts have held that fees (unlike taxes) cannot be used to generate revenue but must maintain some relationship to the cost of the program the fee is helping to fund. The companion bill, SB 988 by Senator Haile, is scheduled to be heard next week in the Senate State and Local Government Committee.

Another bill that would have limited a local government's ability to require two means of ingress and egress into subdivisions has been taken off notice. [HB 652](#) by Rep. Tim Hicks provided that two entrances could not be required unless the subdivision had in excess of 70 homes. Fire codes recommend a much lower threshold to ensure emergency service vehicles can get access in the event of a major fire or other significant accident. As of now, it does not appear that the sponsor of the legislation will move forward.

Individual Bills of Interest

The full House approved [HB56](#) by Rep. Lamberth with an amendment. The legislation creates a process for removing individuals appointed to boards or commissions by the county legislative body. If the county commission was not the original appointing authority, it must first receive a recommendation from the appointing authority (likely the county mayor or executive) before removing the individual. It requires a $\frac{2}{3}$ vote of the county commission for the removal to take effect. The Senate State and Local Government Committee is scheduled to hear the companion bill (SB39 by Sen. Haile) next Tuesday.



TENNESSEE COUNTY SERVICES ASSOCIATION

[HB 618](#) by Rep. Wright, which prevents an individual holding a local elected office from holding another elected office at the same time, passed the full House this week after some delays. The bill was originally scheduled for the consent calendar Monday night but was objected to and rescheduled for consideration in the Thursday session. The legislation grandfathers in individuals currently serving in more than one elected office, but only until the end of their current term. On the House floor, Rep. Hurt expressed concerns about the bill on behalf of his rural district. He noted some communities' difficulty finding individuals willing to serve in local government positions. The bill passed with 61 votes out of the 99-member body. The vote was a rare occurrence of a bill that drew opposition from both Republicans and Democrats, as well as rural and urban members. The legislation has not yet been scheduled for a hearing in the Senate State and Local Government Committee.

[HB546](#) by Rep. Cochran was approved by the full State and Local Government Committee. It authorizes the use of cooperative purchasing agreements for materials, labor, and services used for the maintenance and repair of existing facilities and grounds owned and operated by a local government agency or school board. The Calendar and Rules committee has scheduled the bill for considerations on the House floor consent calendar on Monday night. The companion bill - SB 509 by Sen. Walley - is on the calendar for the Senate State and Local Government Committee on Tuesday.