



Capitol Update: Week of February 6, 2026

Governor Lee Delivers Final State of the State Address

Governor Bill Lee met with a joint session of the House and Senate Monday night to review the accomplishments of his administration and outline his priorities for his last year in office. Many of the themes were familiar, with the governor focusing on school choice initiatives, teacher pay, rural health challenges, public safety, and economic development. He called for the legislature to increase spending on his Education Freedom Scholarship program to pay for private school tuition, fund more Tennessee Highway Patrol positions, invest in high-tech industries like nuclear energy and quantum computing, and repeal the certificate of need process for health care facilities. The full text and a video of his address are available [HERE](#).

Governor's Budget Proposal Does Not Include Sharing the Real Estate Transfer Tax With Counties

When the Governor's initial draft budget was presented to the House and Senate Finance Committees on Tuesday, nothing was included to share a portion of the state's real estate transfer tax back with the counties where this tax is collected. This was a proposal that county associations had advocated for in 2025 and hoped would get consideration. Counties will continue to work with Senators and Representatives to see if there is support to add the funding as a legislative initiative.

Education Funding Highlights

The nearly \$58 billion budget includes an additional \$339 million for K-12 education. However, **\$80 million of this is TISA funding appropriated in FY2026** that was not sent to school

districts because enrollment growth didn't reach projections. Another **\$170 million** is added to that pot to go into the TISA formula to pay the state's portion of raising the minimum starting salary for a teacher to \$50,000. The formula would be adjusted to provide base per pupil funding of \$7,530, with private school vouchers receiving the same amount. The Governor proposed doubling the number of Education Freedom Scholarships (or vouchers) from the current 20,000 to a total of 40,000. This would cost an additional **\$155 million** to fund the increase in value of the current vouchers and create the additional scholarships. The public school funding total touted by the administration also includes \$40 million for a 'charter schools facilities fund' and \$20 million in school construction grants for traditional public schools.

Higher education is slated to receive **\$588 million** in additional funds, with the bulk of that coming from a half-billion-dollar capital outlay.

Public Safety, Infrastructure, and Economic Development Proposed Funding Highlights

- The Governor is asking for 50 more Tennessee Highway Patrol road troopers, additional funding and resources for the Department of Safety and the TBI, and \$80 million in safety grants to the Memphis area.
- TDOT would see an additional **\$400 million** in non-recurring funds to expedite projects on the agency's 10-year plan and address rising maintenance needs.
- On the economic development front, the proposed budget includes additional investments in nuclear energy, rural development, agriculture and artificial intelligence, and quantum computing.

Bill Filing Completed for 2026 Session

The winter weather that struck Tennessee ended up disrupting the bill-filing process for legislators. Originally scheduled to be completed before the end of January, the deadlines were pushed to the close of business Monday, February 2nd, for the Senate and the close of business Tuesday, February 3rd, for the House. Once the dust settled, both chambers saw roughly 1200 new bills filed since the end of last year's legislative session. County associations have already completed an initial review of these bills and are digging deeper into those with the greatest potential to impact county governments. A number of proposals were clearly drafted as a bare bones skeleton with the idea that details would come in a later amendment to flesh out the legislation. These will have to be watched throughout the session. The TCCA Governmental Affairs Committee is meeting Friday (today) in Wilson County to review and categorize bills.

As Expected, Property Tax is a Hot Topic

Numerous proposals have been filed to alter how property tax is levied and administered by local governments in Tennessee. One bill, [Senate Bill 2074](#), would have eliminated all property tax authority for cities and counties in Tennessee and enacted an additional 4% sales tax to provide a fund for reimbursing local governments for the lost revenue. The bill did not get a

House sponsor, and, therefore, it appears this concept may not move forward this year. Other proposals would:

- Set a maximum rate for county and city property taxes ([SB2383/HB2325](#))
- Require a voter referendum to raise taxes over a certain threshold ([SB2002/HB2607](#) and [SB2064/HB1873](#))
- Eliminate rollback penalties on property leaving greenbelt status ([SB1824/HB1846](#))
- Change how mobile homes are assessed ([SB1916/HB1969](#))
- Change how payments are made on disputed taxes ([SB1706/HB1935](#))
- Increase acreage exemptions for nonprofits ([SB2054/HB2406](#))
- Alter how residential properties are assessed ([SB2411/HB1716](#))

In addition to these concepts, there are numerous other bills that open up the statutes on property taxes and could carry amendments to make any of these changes or even enact the full repeal. County associations continue to advocate with legislators about how important property tax is as a revenue source for county governments to be able to fund all the mandated services the state requires them to deliver.

Legislation Moving this Week

Committee calendars were light this week as the House and Senate tried to get back in gear after the closure caused by the winter storm. There were a few items of note to counties that were in committees this week.

The bill to create school district capital improvements trusts (HB224/SB593) moved forward in the House, but was taken off notice by the Senate sponsor. The House bill was approved by the full education committee and referred to the finance committee, but Sen. Walley did not present the bill after hearing concerns from county associations.

A proposal to provide additional general fund revenues to transportation infrastructure needs moved forward in the House Transportation Subcommittee. HB 1683 by Rep. Hawk would redirect sales tax on tires and a portion of sales taxes on cars to the transportation fund. It is expected that the bill will be the subject of negotiations and is likely to be amended once it reaches the finance committees.

A proposal to require all county legislative bodies to adopt local rules of procedure was advanced by the Cities and Counties Subcommittee this week. HB 1488 by Rep. Moon would require all county commissions to have local rules of procedure. Following an election, the rules of the previous county commission would become the temporary rules of the new commission for 90 days, during which time the new commission could ratify them, amend them or adopt different rules. Once that period runs, the rules of the county commission would become permanent and could only be amended by a $\frac{2}{3}$ vote. The bill is scheduled to be heard in the House State and Local Government Committee next week.