

School Funding Plan Advances in Both Chambers; Gov. Lee Plans to Propose a 30 Day Pause on Sales Tax on Groceries

With committees continuing to close and the announcement of the Lee Administration's budget amendment, all indications are that the 2022 legislative session is now entering the glide path toward conclusion. While there is still much to be done and a significant amount of legislation still in the pipeline, the unveiling of the budget amendment often stands as the second major step – right behind the closure of committees – that the end of session is on the horizon. With every passing day, Governor Lee's education funding plan and the state budget will draw increasing attention, and other legislation will gradually ease into the background.

The other byproduct of committees closing is that more and more bills have seen their fate determined. Any bill that is still parked in a closed committee is highly unlikely to move this year, and the same can be said for any bill that is still parked in a committee and not on that committee's final calendar. In the past few weeks, the House Agriculture and Natural Resources Committee, House Insurance Committee, House Education Instruction Committee, and Senate Education Committee have completed their work and closed subject to the call of the Chair. A number of other committees are on final calendars, including Senate Health, Senate State and Local, Senate Judiciary, the House Criminal Justice Subcommittee, the House State Government Committee, and the House K-12 Subcommittee.

School Funding Plan Advances in Both Chambers

Governor Bill Lee's K-12 education funding overhaul has started to clear critical hurdles, and its journey through the legislative process is now underway. The legislation, which has been dubbed Tennessee Investment in Student Achievement -- or "TISA" for short -- would allocate more than \$9 billion in state and local funds for education, including \$1.8 billion for students with specific needs, such as those living in substantial poverty or students with disabilities. The legislation (SB2396/HB2143) passed out of the House K-12 Subcommittee on March 22nd after nearly three hours of testimony and questions. The Senate Education Committee also advanced the bill a day later on the 23rd, along with five amendments to the bill. The adjustments to the bill's original language allude to the Lee administration having to compromise on language with lawmakers and stakeholders in order to address increased feedback and a growing number of concerns associated with the legislation. The bill moved on to the House Education Administration on March 30th, and an additional five amendments were adopted. The legislation is set to appear in the Senate Finance, Ways and Means Committee the week of April 4.

Gov. Lee Plans to Propose a 30 Day Pause on Sales Tax on Groceries

In the wake of the Governor's State of the State address in February, the Lee Administration submitted a proposed initial budget that, while focused on conservative principles, did not feature any tax cuts. The messaging that followed indicated that tax cuts would be forthcoming in the budget amendment. The Lee Administration's budget amendment was released on March 29th, and the details of the plan have emerged, including the Governor's proposal to institute a month long pause to the state's 4% tax on groceries. The proposal is being described as a direct response to nationwide inflation and viewed as a way to provide direct relief to Tennesseans. In 2020, Democrat lawmakers proposed a similar "food tax

holiday” that was estimated to cost the state upwards of \$100 million in revenue. That isn’t the only tax cut contained in the budget amendment, as it will also feature a reduction to the oft-criticized Professional Privilege Tax, which imposed a \$400 per year tax on attorneys, physicians, financial planners, lobbyists and other professions.

The amendment is far from the final product as it must then go through the legislative process and endure the refinement and negotiation that process entails. The sole task assigned to the Legislature in the state constitution is to pass the state’s budget, meaning that any legislation that is still pending at the time the budget passes always runs the risk of having the legislature adjourn for the year before taking final action on the legislation.

Looking Ahead

With more committee closures expected for next week, more and more legislation will either continue to move or meet its demise. That process has already begun as the volume of legislation before committees is significantly less than it was just two weeks ago. Given the amount of legislation that flowed through committees in the past few weeks, floor calendars are now at max capacity, and the Senate has now added a third floor session – to be held on Wednesday – to accommodate the volume.