

CAPITOL UPDATE

TCSA'S WEEKLY CAPITOL UPDATE



Week of March 7 - 11, 2022

TISA: Tennessee Investment in Student Achievement

The governor's education funding formula was front and center this week in a couple of House committees Tuesday, then it also came up during the department's budget hearing before the Senate Education Committee on Wednesday. When the department was presenting its budget in the House Finance committee on Tuesday afternoon, the talk quickly turned to the new funding formula.

Committee members quizzed Commissioner Schwinn and her staff on the formula and the impact it will have on school systems, as well as on the proposed uses of the \$750 million in the current budget. When the Governor unveiled TISA, he indicated that he wanted to put \$750 million in the budget this year and use it for non-recurring expenses like relocating schools located in a floodplain and for making grants to middle and high schools for CTE equipment and facilities.

READ ON AND KEEP YOURSELF UPDATED!

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TISA (Continued)

Then the following year, those funds would roll into the new funding formula. While the initial proposal even included a list of identified schools that needed flood mitigation, discussions have shifted. The department is now indicating that the information originally used to identify flood mitigation needs was out of date and that it is working with TEMA to do an assessment and identify school facilities with high and moderate risk of flooding.

The discussion in House Finance continued for quite a while Tuesday evening. Meanwhile, the bill that will carry the amendment to implement the formula was scheduled for discussion in the House K-12 Subcommittee that started down the hall the same afternoon. The Commissioner was still answering questions in finance when that subcommittee meeting started, so the bill was rolled down the calendar until the department concluded its budget hearing.

Later in the evening, HB2143/SB2396 was brought up for discussion and the subcommittee went into recess for a presentation by Commissioner Schwinn outlining the provisions of the bill. It drew a number of questions from committee members with both Democratic and Republican State Reps expressing concern that the proposal is moving too quickly. Rep. Scott Cepicky of Maury County pointed out to the commissioner that while she had been working on developing this formula for seven months, legislators have only had two weeks to look at it. Rep. John Ray Clemmons of Nashville stated, "I want to make sure we get this right, instead of sprinting to the finish line."

Members asked questions about fiscal capacity, local maintenance of effort, direct allocations in the proposals, and what is included in the base funding amount of \$6860 per pupil that the department is recommending for the base. The K-12 subcommittee adjourned without taking a vote on the bill. It is expected to be debated further next week. The subcommittee may take testimony from stakeholder groups at that time. The bill is also scheduled for presentation in the Senate Education Committee next Wednesday.



TISA (Continued)

One of the items requested by the House subcommittee was a long term projection of how the formula would affect local match and maintenance of effort requirements. The department released projections later in the week that looked out as far as FY2030. Most of these showed that counties would not have to raise taxes to fund their required local match. However, the projections were based on state funding remaining the same during that time period. The projections simply took into account student enrollment trends. If future state investments are added into the formula, these projections could look substantially different.

Regulation of Slaughterhouses and Dairies

After being deferred multiple times, a bill that would declare slaughterhouses and dairies to be “normal agricultural activities” and therefore exempt from nuisance regulation by local governments is back on the calendar for next week. The bill (SB2622/HB2740) by Sen. Niceley and Rep. Holsclaw would allow slaughterhouses that process 100 animal units or less per week to operate within areas zoned as agricultural.

An animal unit is defined as 1 cow, 2 hogs or 4 sheep. While some small custom slaughterhouses may now be operating on farms where the farmer is processing his or her own animals for sale locally, most would be well under this threshold of operations. Since many parts of the state are zoned for both residential and agricultural purposes, concerns have been raised about the impact to nearby subdivisions if larger slaughterhouse operations were allowed to operate in these areas. Opponents of the legislation have argued that they are more akin to industrial operations in terms of the potential for smell, waste, and traffic from their operations. The bill is scheduled for discussion on Tuesday in the Senate State and Local Government Committee and the House Agriculture Subcommittee.



Waste Tires

A bill to allow flexible use of waste tire disposal fees passed the Senate on the consent calendar Monday night. It is on the consent calendar in the House as well for this coming Monday. The bill (HB 2607/SB2450) by Rep. David Byrd and Sen. Page Walley was filed at the request of the Tennessee County Services Association. It would allow the \$1 that counties receive of the tire pre-disposal fee to be used for methods of disposal that have a beneficial end use other than recycling.

Current law only allows those funds to be used to pay for recycling waste tires. Since there are a limited number of recyclers operating in Tennessee and most of them ship tires out of state to process them, the current law's restrictions have dramatically driven the cost up for counties to dispose of tires. The law allows tires to be shredded and then disposed of in landfills if that option is less expensive than recycling the tire. However, currently, the \$1 tire fee cannot be used to pay for shredding. This bill allows the fee to be used for shredding and would hopefully give counties a cheaper alternative for dealing with a difficult waste. The bill will take effect July 1, 2022.

Dept. of Revenue Administrative Fee on Sales Tax

A bill that has been filed several years in a row by legislators from Knox County is moving forward, albeit not in the form counties hoped for. As introduced, SB160/HB192 by Sen. Briggs and Rep. Wright would reduce the administrative fee or commission that the Department of Revenue charges local governments for collecting and remitting local option sales tax. The bill proposed dropping the fee from 1.125% to 0.5%.

The fiscal note associated with the bill showed that it would result in a shift of \$20 million from the state to local governments. In Senate Finance, an amendment rewrote the bill to simply require the department to submit a report by January 1st each year to the House and Senate Finance committee outlining the actual costs incurred by the department for the administration and collection of local option sales tax. While in this new form the bill would not transfer any funds to local government, it may help make the case in the future that the administrative fee generates more revenue than it costs the department to administer the tax. The bill is slated for consideration in the House Finance Subcommittee next week.



Length of Service Awards

A bill brought at the request of State Treasurer David Lillard is moving to the finance committees. HB2384/SB2342 by Rep. Gant and Sen. Yager would authorize the treasurer to develop, implement and administer a program to award grants to eligible employers for the purpose of funding a length of service award program for bona fide volunteer firefighters.

The treasurer could make awards of \$200 for each volunteer of the employer, up to a maximum of \$5,000, for the purpose of matching employer contributions to a length of service award program. The bill is permissive, but would generate additional state funds that could enrich a length of service award that a local government might want to implement to encourage employee retention. Counties have been reporting severe problems with attracting and retaining first responders during the pandemic. The bill was recommended by the House Local Government Committee and the Senate State and Local Government Committee and referred to the Finance Committees in both chambers.

Residency Requirement for County Offices

A bill that would set a one-year residency requirement for county offices has passed the House. HB1970/SB1952, would require candidates for county legislative body, constable, trustee, register, assessor, school board, clerks of court and highway superintendents to be a qualified voter of the district or county for which they are running for office for at least one year in order to qualify for such position. The bill was initially presented in the Senate State and Local Government Committee on March 8th toward the end of the committee's meeting. When it generated a few questions, the sponsor deferred action until March 15th.



Recall Elections

A bill that would allow recall elections statewide for school board members failed in the Education Administration Committee this week. HB2388/SB2596 by Rep. Todd and Sen. Hensley removed a provision in current law that limited recall elections for school boards to Madison County only. That statute that was enacted a few years ago had been found unconstitutional due to a narrow population classification. The bill sponsor wanted to remove the population limits and have the statute apply statewide. Rep. Cochran of McMinn County spoke about how in a rural county, the bill could trigger recall elections easily and create a financial burden on counties. He cited a cost of at least \$10,000 every time a special election is held. The bill failed on a voice vote.

A separate proposal that has an amendment that would allow recall elections for almost all local and many state positions is scheduled for discussion after it had been deferred. SB1316/HB1277, under the proposed amendment, would allow voters to recall elected officials for something as simple as “voter dissatisfaction.” The bill was deferred until March 15th in the Senate State and Local Government Committee and March 16th in the Public Service Subcommittee of the State Government Committee in the House.