

PUBLICATION

Preview of the 114th Tennessee General Assembly: Second Regular Session

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When the second regular session of the 114th Tennessee General Assembly convenes on January 13, members and staff are largely expected to pick up where they left off in April 2025. The composition of the bodies will be relatively the same, save the passing of Republican State Rep. Jeff Burkhart of Clarksville in November 2025. As with every second regular session, each additional legislative day is one that members cannot fundraise and have limited campaign bandwidth before the imminent August primaries, so expect a strong pace. There are many subject areas worth highlighting, but let's start with the only constitutionally mandated one: the budget.

FY 26-27 Budget Outlook: Revenue Growth Negated by Inflation

Last session, Tennessee lawmakers enacted a \$59.8 billion budget for FY25-26, which represented a very modest 1.6 percent increase over the previous budget year. About \$29.5 billion were state dollars, while the remainder came from the federal government and other sources. Following testimony, in November, the [State Funding Board](#) took the first formal step in the budget process by setting the revenue growth range for the remainder of FY25-26 at 0.72 percent to 1.32 percent and for FY26-27 between 2.25 percent and 2.35 percent. However, the growth rate was dampened by significant inflation concerns, with the estimated inflation rate at approximately 3 percent, which some see as effectively negating revenue gains. Governor Bill Lee will release his proposed budget after giving his final State of the State address on February 2 (projected).

Health Care: "Rural" Health Transformation Program

The One Big Beautiful Bill Act created the Rural Health Transformation Program, which provides \$50 billion over five years to state governments to improve health care access, quality, and outcomes in rural communities. To receive an increased portion of the funds, states were required to submit a detailed "rural health transformation plan" outlining their strategies to achieve sustainable goals.

Tennessee submitted [its application](#) on November 5, 2025. In it, the state identifies five subject areas of rural health care needs:

- Right-sizing facilities to improve access;
- Maternal and child health;
- Chronic disease prevention and nutrition security;
- Technology infrastructure; and
- Workforce development.

There are many legislative and regulatory actions in the application; however, highlights include:

- Eliminating the certificate of need (CON) process;
- Scope of practice adjustments for physician assistants, nurse practitioners, pharmacists, and dental health hygienists;

- Implementing the Supplemental Nutrition Assistance Program (SNAP) waivers; and
- Licensure compacts.

On December 29, the Centers for Medicare & Medicaid Services [announced](#) that, while awards ranged from approximately \$147 million to \$281 million, Tennessee would receive \$206.8 million for FY26.

Transportation: The Future of Road Funding

Tennessee has made a series of massive investments in the state's road infrastructure, and fundamental changes to how those assets are paid for are coming. Effective July 2023, the Tennessee Modernization Act, among other things, established the Transportation Modernization Fund with a sum of \$3 billion allocated equally in \$750 million increments among the state's four Tennessee Department of Transportation ([TDOT](#)) [regions](#). The first interstate choice lane project will be in Region 3 on a centerline, 25-mile stretch of I-24 East of Baker Road to the vicinity of Fairfield Avenue and Briley Parkway.

In 2025, the legislature authorized the issuance of up to \$1 billion in bonds for construction, improvements, and extraordinary repairs to existing structures; for construction of highways, and repair, replacement, or rehabilitation of bridges; and for grants to local governments for similar efforts. In addition to the bond issuance authorization, [HB969/SB144](#) requires that all monies received from sales tax on new or used tires on or after July 1, 2025, must be earmarked and allocated to the highway fund.

Now, a deeper study is underway. [SB703/HB736](#) requires the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to study and prepare a report on recommendations for establishing sustainable funding sources "that meet this state's future, long-term transportation infrastructure needs." In December, [TACIR met](#) and held a panel discussion while it researches various funding resources, including "road usage fees" like those contemplated to support choice lane build out and maintenance.

While the final report is due September 30, 2026, some members seem keen to get ahead of the issue by proposing funding streams. In fact, [a bill](#) was filed in December that would establish new excise taxes on electric vehicle power at three cents per kilowatt-hour beginning January 1, 2027.

Artificial Intelligence

Federal artificial intelligence (AI) policy has shifted toward encouraging a "minimally burdensome" national framework designed to prioritize innovation and global dominance over restrictive safeguards. The Trump administration has focused on preventing a "patchwork" of state-level regulations. This culminated in a December 2025 [executive order](#), which established a Department of Justice task force to challenge "onerous" state laws deemed harmful to interstate commerce or free speech. While comprehensive federal legislation remains stalled, states continue to wrestle with a myriad of issues.

In 2024, the Tennessee General Assembly passed the Tennessee Artificial Intelligence Advisory Council Act. The law states that the purpose of the Council is to "recommend an action plan to guide awareness, education, and usage of artificial intelligence in state government that aligns with the state's policies and goals and that supports public employees in the efficient and effective delivery of customer service." In November 2025, the Council [approved an action plan](#) detailing recommendations and requested \$50 million for implementation. Its final report is due no later than December 31, 2028.

The Council's work does not preclude legislation, and bills are already being filed. For example, [SB1493/HB1455](#) would create hefty criminal and civil penalties for a person or business who trains AI systems to encourage suicide, provide emotional support, or simulate human relationships.

Energy: Nuclear, Nuclear, Nuclear

In December 2025, Governor Lee announced that the Department of Energy approved a \$400 million grant application from the Tennessee Valley Authority to "advance the development of" a small modular reactor (SMR) at Clinch River. This was signaled as a milestone moment, building upon 2023's [Executive Order 101](#), which established the Nuclear Energy Advisory Council and subsequent investment into the Nuclear Energy Fund, a \$70 million pool to attract nuclear technology companies to the Oak Ridge Corridor. As a result, the Tennessee Department of Economic and Community Development can tout a staggering \$7.3 billion in investment and close to 2,000 job commitments.

Economic and Community Development: Clear Priorities

When the Governor hosts public budget hearings, it's often hard to glean details while sifting through hours of content, but Economic and Community Development Commissioner (as well as Deputy Governor) Stuart McWhorter's requests were hard to miss. Highlights include:

- \$25 million (half recurring) for the Tennessee Entertainment Commission to strengthen the creative economy, build on the 134 incentivized productions, etc.;
- \$10 million (nonrecurring) for the [Historic Development Grant Program](#); and
- \$1.5 million (nonrecurring) to facilitate direct recruitment of domestic and international flights. While two of the international prospects are confidential, word on the street says the flights would likely be to Japan or Korea.

Food Production: "To Dye For" and MAHA

With a two-punch combination in 2025, the Make America Healthy Again (MAHA) movement materialized in Tennessee. First, the legislature took an atypical single-ingredient ban step by passing [SB476/HB134](#), which prohibits food and beverage items that contain red dye No. 40 from being sold on school property through the school nutrition program. Meanwhile, another bill was advancing quickly that would have required the Tennessee Department of Human Services to submit a request for a federal waiver to exclude candy and soft drinks from Supplemental Nutrition Assistance Program (SNAP) purchase eligibility.

While the bill ultimately failed, conversations did not end. Through the summer, stakeholders worked with the Governor's administration to submit [two waiver requests](#) to U.S. Department of Agriculture (USDA). Beginning July 31, 2026, SNAP benefits cannot be used to purchase processed food items or beverages that list sugar, cane sugar, corn syrup, or high-fructose corn syrup as the first ingredient. Beverages that are both carbonated and contain one of the previously listed ingredients are also excluded. Proponents could be buoyed by the 2025 momentum, so food manufacturers and retailers should pay very close attention to further ingredient bans, emulsifier and preservative restrictions, and more.

Elections (and Retirements) on the Horizon

When the gavel falls, legislative members will waste little time shifting into campaign mode. U.S. Republicans Sen. Marsha Blackburn and Rep. John Rose ([TN-6](#)) have entered the gubernatorial race, but aside from

county party straw polls and a dust-up regarding available damages from the use of phone records, the two have largely avoided direct confrontations. That could change as the August Republican primary nears. With Rep. Rose's seat set for vacancy, State Rep. and [Majority Whip Johnny Garrett](#), an attorney from Goodlettsville, and former State Rep. Van Hilleary, who now serves as Rep. Rose's chief of staff, are both vying for the Republican nomination.

In September 2025, [State Rep. Ron Travis](#), a long serving member, announced he would not seek election to an eighth term. Instead, he is running for Rhea County executive (i.e., mayor). His absence will vacate a seat that serves a four-county district composed of Bledsoe, Rhea, Sequatchie, and Van Buren Counties. As the session draws to a close in late April or early May, General Assembly retirement announcements tend to increase, and we will report on those developments deeper into election season.

Conclusion

Baker Donelson's [State Public Policy Advocacy](#) and [Government Relations and Public Policy](#) Teams look forward to working with clients during the second regular session of the 114th Tennessee General Assembly and will provide timely updates as developments occur. When the General Assembly adjourns, a session wrap report will be provided. If you have questions about the legislative session or need additional information, please contact Public Policy Advisor [Jacob D. Baggett](#).