

TENNESSEE GOVERNMENT

Update

NEWS FOR THE CLIENTS AND FRIENDS OF BASS, BERRY & SIMS PLC

Ethics Decided

Our last missive to you relayed that the conference committee on ethics reform had adopted a report and planned to present it to the full assembly on Monday. Adoption would be challenged, but was likely.

The battle that ensued was in the Senate. Members of the Democratic Caucus declared the document before the body "watered down" and was "an insult to the people of Tennessee." One Senator clutched a fistful of dollar bills and shook them at the members criticizing the work of the conference committee. "We're talking about this because of the dirty money and if you vote aye on this report you are doing nothing to stop its corrupting influence."

He was referring to the recent FBI sting that resulted in indictment of current and former members of the legislature on bribery charges.

After hours of heated debate and partisan sniping, 11 minority reports (which may or may not have been properly before the senate) were moved to the table and on a 27-6 vote the "fresh start" proposal was adopted.

Although the Governor has not yet signed it into law, he is expected to do so.

Highlights of the conference report:

- A new ethics commission will be created to monitor lobbying. This commission will have increased investigative powers. The existing Registry of Election Finance will continue its work focusing on regulation of campaign finance. Both bodies will have six appointed members.
- Employers of lobbyist will be able to pay for food and drink for legislators, but only on days when the legislator is not taking a per diem. The food and drink

cannot exceed \$50 per occasion and a \$100 a year limit. It will all be disclosed of course.

- The auditing provision states that two percent of lobbyists, candidates, and PACs will be randomly selected each year; employers of lobbyists will be audited only for probable cause.
- Frequency of reporting and its content is largely changed. We will provide you with a full analysis of reporting responsibilities shortly.

Call to Order

Gears changed abruptly this week with the wrap-up of the ethics session on Monday and the call to order of the 104th session on Tuesday. What had been almost empty halls the day before were now filled with special interest groups and throngs of lobbyists working legislation.

Traditionally the second half of a session ends as soon in May as possible. It will be challenging to meet the timeline this year due to four weeks of ethical debate. Watch for leadership to put the hard press on the members to stay focused. Re-elections approach and both parties will be extremely aggressive in efforts to increase their numbers.

With that said, next week's agenda is light on the legislation. Most committees have opted for topical or agency budget presentations. Senate Commerce will have updates on workers' compensation, budget committees will review revenue collections and Joint Education will hear from the Comptroller on a proposal to fully fund education on the state level (currently locals have a match).

State of the State

At a joint convention in Nashville, Governor Bredesen spoke to Tennesseans in his annual State of the State. His fourth and final first-term address was reflective and clearly laid out his priorities: children, education, and healthcare.

The details of those priorities were made known in budget presentations earlier that day. The proposed 2006-07 budget is \$25.6 billion (presentation: <http://www.tennessee.gov/governor/Budget.do>) It is 2.6% less than the previous year but the cutback is in federal funding. The state portion increases by 3.4%, which is fundable under current (conservative) revenue projections

In short:

Total budget 2006-07	\$25.63 billion
State appropriations	\$12.056 billion
Federal funds	\$9.270 billion
Other revenue	\$4.306 billion

Overall, state programs will spend \$671.1 million more than in 2005-06, with the biggest increases coming in education (\$232.8 million), TennCare (\$115.4 million), and a modest 1% state employee pay raise (\$88.8 million).

- teachers are to receive a 2% hike (\$42.4 million), partly financed from local school boards,
- higher education employees are to get 2%, partly financed through tuition increases,
- \$20 million will be added to the states pre-kindergarten efforts,
- \$14.8 million for the Dept. of Economic & Community Development. Includes additional job training and "infrastructure," i.e. spreading broadband computer connections throughout the state.

Governor Bredesen also proposed a new (largely undefined) program to add 150,000 uninsured children to a state sponsored health insurance plan. Administration staffers said it would resemble the old "TCHIP" program. The plan would cost about \$20 million a year for three years and could result in significant matching dollars from the federal government (\$3 fed for each \$1 state).

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