

TENNESSEE GOVERNMENT

Update

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

The Second Session of the 105th Tennessee General Assembly convened Tuesday, January 8. The real work will likely not start in earnest until later this month. Optimism about an early (end of April) adjournment date is rampant even though the last time the legislature adjourned in April was the mid-1990s.

The General Assembly convened with 53 Democrats and 46 Republicans in the House and 16 Democrats, 16 Republicans, and one independent in the Senate. In this election year, every House seat and 16 Senate seats are on the ballot.

Sober state financial news was the first substantive matter discussed after *pro forma* opening sessions.

From surplus to shortfall

“We’re not doing as well as we planned for when we put this budget to bed last May and June,” remarked Finance Commissioner Dave Goetz in his address to the House Finance committee on Tuesday. The Tennessee state budget shortfall for the fiscal year ending June 30 is now projected to be at least \$150 million, with some State Funding Board estimates reaching \$240 million. This shortfall is the difference between expected revenue, projected last year to cover the current budget, and actual revenue. The State Funding Board will re-evaluate current projections in April as well as derive revenue projections for next year. The revenue shortfall is primarily due to a slowing in growth of the franchise and excise taxes paid by Tennessee businesses and unusual cash refunds requested on overpayment of franchise and excise taxes, including those by Tennessee financial institutions. In addition, State Comptroller John Morgan notes, “We have seen some pretty significant slowing in growth in terms of employment.”

According to Goetz, “We can work our way through this” in the current year because TennCare and Cover Tennessee spending is lower than expected. In addition, the Bredesen administration has directed state agencies to lower spending collectively by \$44 million. These combined measures will result in a total of \$136 million in lower than projected spending.

Goetz estimated that new spending (next year’s budget), from revenue growth, will be limited to between \$300 million and \$350 million. State Treasurer Dale Sims indicated that \$440 million will be needed next year to fund anticipated increases in major programs, including:

- \$50 million for increases in medical insurance for state employees and teachers;
- \$60 million for higher education in order to avoid a double-digit tuition increase; and
- \$150 million to provide a 3 percent pay raise for state employees and teachers.

Goetz also insisted that the administration will not seek any tax increase this year.

Tennessee Ethics Commission

The Tennessee Ethics Commission marked its first year of operation by introducing an updated Web site. The improved site (www.state.tn.us/sos/tec) included **ilobby**, a new electronic filing system for both Lobbyists and Employers of Lobbyists. If you have questions about requirements of registration, call TEC at 615-253-8634 or Bass, Berry & Sims' own filing authority Linda Heft at 615-259-6442.

Important Dates

- **January 17** – Senate ends unlimited bill filing. Each senator is allowed only nine additional general application bills.
- **January 28** – Governor Bredesen delivers his State of the State and Budget Address to a Joint Convention of the General Assembly. The 2008-09 budget document will be available to the public soon afterward.
- **January 31** – Final Bill Cut-Off for House and Senate.

Other Issues

Other issues that will occupy and divide legislators include:

1. **Lottery Proceeds and Reserves** — Eligibility standards and use of reserves for local capital needs or providing more or widespread scholarships may now be the most tender for political fire this session.
2. **Workers' Compensation** — Due to recent Tennessee Supreme Court rulings, an employee who works from home or one who exercises on company property is eligible to collect workers' compensation benefits if injured. The business community and insurance companies will promote legislation to modify and clarify liability in such cases. Organized labor, as well as attorneys who represent the injured, will tend to support the Court's ruling.
3. **Statewide Video Franchising** — The basics on this issue have not changed since last year. AT&T wants the right to offer TV services statewide. Under the current regime they would have to apply to local governments for individual franchises. The cable industry and county and municipal governments oppose any change.

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