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Tennessee Governor Bill Lee's 2025 State of the State Address: Key Budget and Legislative Takeaways

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Tennessee Governor Bill Lee delivered his seventh State of the State address on February 10, 2025, outlining the state's legislative and budgetary priorities for the upcoming year. The proposed \$59.5 billion budget for FY25-26 focuses on fostering economic growth, supporting education, enhancing infrastructure, and preserving the state's natural resources. Below are the key takeaways from Governor Lee's speech, emphasizing the most critical investments and initiatives for the year ahead.

Housing and Infrastructure

Governor Lee proposed significant funding for housing and infrastructure development, recognizing the need for robust investments in both urban and rural communities. A key highlight is a \$1 billion allocation to the Tennessee Department of Transportation to expedite road projects and launch new infrastructure initiatives. The budget also includes \$60 million to establish the Starter Home Revolving Loan Fund, designed to support the construction of affordable starter homes with a focus on rural areas. Additionally, \$30 million has been earmarked for the Rural and Workforce Housing Tax Credit to facilitate the construction of homes and businesses across Tennessee.

Energy Investments

A priority of the proposed budget is advancing Tennessee's position as a leader in next-generation energy. Governor Lee has committed \$50 million to the Small Modular Reactor (SMR) Grant Fund, supporting the Tennessee Valley Authority's Clinch River Nuclear SMR project. This initiative aims to position Tennessee at the forefront of nuclear energy innovation. Additional investments include \$10 million for the Nuclear Energy Fund to attract advanced nuclear technology companies and \$2.6 million to develop the nation's first regulatory framework for commercial nuclear fusion power.

Conservation and Agriculture

In FY25-26, Tennessee will allocate significant funding to support its agricultural sector. Governor Lee has proposed \$25 million to establish a Farmland Conservation Fund aimed at preserving agricultural land for future use. Additionally, \$20 million will be directed to the Agricultural Enterprise Fund and the Agricultural Enhancement Fund. These funds are designated to assist Tennesseans in creating and expanding agricultural, food, and forestry businesses, as well as making long-term strategic investments in rural communities.

Fiscal Responsibility and Reserves

In addition to these targeted investments, Governor Lee announced a \$35.6 million investment in Tennessee's Rainy Day Fund, increasing the state's reserves to nearly \$2.2 billion – the largest total in state history.

Governor Lee's proposed budget for FY25-26 reflects strategic investments across several key sectors, including housing, infrastructure, energy, agriculture, public safety, and fiscal reserves. The budget seeks to address immediate needs while laying the foundation for long-term economic growth and sustainability. The proposed priorities focus on expanding critical infrastructure, supporting innovation, and preserving natural resources, with the goal of enhancing Tennessee's economic position and maintaining fiscal stability. For a full summary of the highlights from Governor Lee's address, [click here](#).

Baker Donelson's [State Public Policy Advocacy](#) and [Government Relations and Public Policy](#) teams look forward to working with clients following Governor Lee's State of the State address and will provide timely updates as developments unfold. If you have any questions about the address or need further information, please contact [Jacob D. Baggett](#).