



## Summary of Gov. Lee's FY 2027 Amended Budget

March 30, 2026

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On March 24, 2026, Governor Lee [proposed changes](#) to his budget recommendation for FY 2027, which starts July 1, 2026. Known as the administration amendment, these revisions update [the original budget plan rolled out in February](#), reflecting new information about program needs, available revenues, and legislative action.

The General Assembly will now consider these changes along with its own amendments to the recommendation. These actions mark some of the final steps in the process to get next year's budget approved and usually one of the General Assembly's final actions before adjourning for the year.

### Overview

**In general, the amendment directs funds available from updated FY 2026 estimates toward targeted grants and investments without substantively changing the core priorities in the original proposal.** (1) (2) (3) (4) (5) The proposed changes to the February recommendation total \$311 million in additional spending in FYs 2026 and 2027 offset by a mix of expenditure reductions and new anticipated revenues (**Figure 1**). These changes result in the following revised totals from state dollars (**Figure 2**):

- **FY 2026 Amended Estimate** — \$29.7 billion from state dollars, which is \$13 million (or less than 0.1%) more than the February estimate and \$3.5 billion (or 13%) higher than the FY 2025 actual.
- **FY 2027 Amended Recommendation** — \$29.8 billion from state dollars, which is \$256 million (or 0.9%) more than the February recommendation and \$118 million (or 0.4%) higher than the FY 2026 amended estimate.

### Increases to Proposed Spending

**The administration amendment proposes \$13 million in additional FY 2026 spending and another \$298 million in FY 2027.** Large or notable increases from state dollars include:

- +\$133 million in FY 2027 for 51 earmarked grants to specific organizations and/or projects—including \$40 million for a bridge reconstruction in Montgomery County and \$25 million in grants to the Nashville and Knoxville Zoos. The February recommendation included about \$26 million in earmarked grants.
- +\$39 million in additional state park capital projects—bringing total recommended FY 2027 increases for capital projects to \$496 million.

- +\$24 million related to technology upgrades across state government and within specific agencies—bringing total proposed FY 2027 increases for this purpose to about \$229 million.
- +\$23 million for a proposed FY 2027 initiative to increase the state’s quantum computing capabilities—bringing the total request for the initiative to \$43 million.
- +\$6 million to cover the costs of pending legislation—most associated with additional incarceration costs for four bills.
- +\$5 million in FY 2026 to partially offset a recent \$40 million reduction to the state’s federal Child Care and Development Block Grant.

## Figure 1. Gov. Lee’s FY 2027 Budget Amendment — Where the Money Comes From and Where It Goes

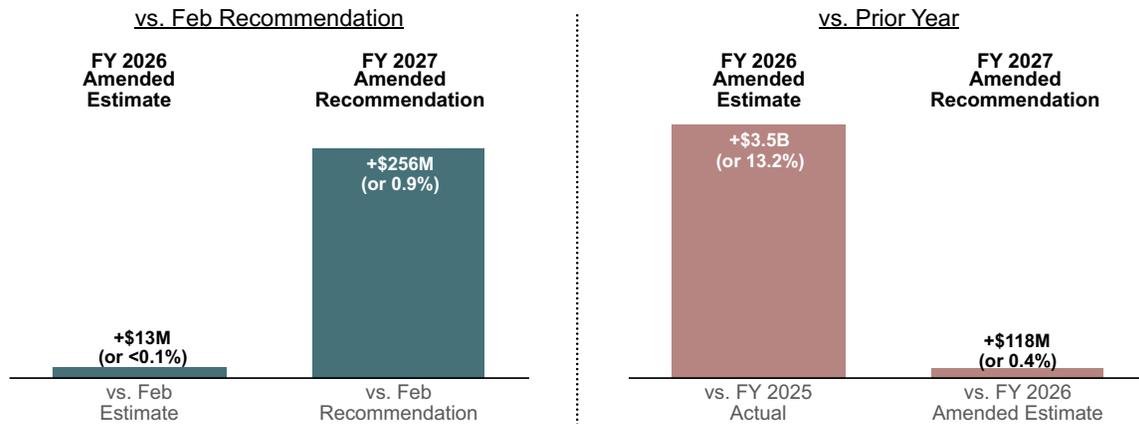
Changes to General Fund Revenues & Expenditures in FYs 2026-2027 vs. February Recommendation



Sources: The Sycamore Institute’s analysis of FY 2027 Tennessee state budget documents (1) (2) (3) (4) (5)

## Figure 2. How State Dollars in Gov. Lee’s Amended FY 2026 and 2027 Budget Request Compare

State Appropriations in Amended Recommendation for FYs 2026 and 2027



Sources: The Sycamore Institute’s analysis of FY 2027 Tennessee state budget documents (1) (2) (3) (4) (5)

### Reversions and Reductions to Proposed Spending

The increases are partially offset by \$129 million from additional anticipated agency reversions in FY 2026 and \$40 million in reductions to previously proposed FY 2027 spending. Reversions are unspent program dollars and reserves reverted to the General Fund at the end of the fiscal year. Notable reductions to the FY 2027 recommendation include:

- -\$8 million associated with reconciling cost estimates for pending legislation.
- -\$25 million from the Tennessee Investment in Student Achievement (TISA)—the state’s K-12 public school funding formula—due to lower enrollment projections. With this change, the recommendation includes a total of \$7.1 billion for TISA—or \$145.5 million more than the FY 2026 estimate.

### New Revenue

The amendment also reflects an additional \$141 million in expected Treasurer earnings in FY 2026. This would increase these earnings from \$472 million in the February recommendation to \$613 million. Higher-than-usual earnings in recent years largely reflect interest earned on unspent federal COVID-19 relief funds received in 2020–2021. States were given several years to expend the funds and authorized to invest them in the meantime.

## References

1. **Tennessee Department of Finance and Administration.** Current Budget Overviews & Presentations. [Online] 2026. [Cited: March 26, 2026.] [https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-overviews\\_presentations.html](https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-overviews_presentations.html).
2. —. Fiscal Year 2026-2027 Administration Budget Amendment Overview. [Online] March 24, 2026. [https://www.tn.gov/content/dam/tn/finance/budget/documents/overviewspresentations/27%20Admin%20Amend%20Overview%20-%20Final%20\(1\).pdf](https://www.tn.gov/content/dam/tn/finance/budget/documents/overviewspresentations/27%20Admin%20Amend%20Overview%20-%20Final%20(1).pdf).
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4. —. Budget Overview Fiscal Year 2026-2027. [Online] February 2, 2026. [https://www.tn.gov/content/dam/tn/finance/budget/documents/overviewspresentations/FY27Recommended\\_Final.pdf](https://www.tn.gov/content/dam/tn/finance/budget/documents/overviewspresentations/FY27Recommended_Final.pdf).
5. **State of Tennessee.** The Budget: Fiscal Year 2026-2027. [Online] February 1, 2026. <https://www.tn.gov/content/dam/tn/finance/budget/documents/2027BudgetDocumentVol1.pdf>.

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