Tennessee Greenbelt Stewardship Dividend

A Statewide Proposal to Stabilize County Budgets and Address Greenbelt Challenges

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Concept Summary

Tennessee's rural counties safeguard the farmland, forests, and open spaces that support the state's food security, ecological health, and cultural heritage. Yet these same counties face persistent fiscal pressures: inflation rising faster than revenues, declining purchasing power, and an overreliance on property taxes.

At the same time, Tennessee's sales-tax-driven revenue structure disproportionately benefits fast-growing urban areas. Rural counties—home to most of the state's agricultural and conservation lands—lack the tax base to keep up with the demand for infrastructure, EMS, law enforcement, court security, and other essential county services.

The **Tennessee Greenbelt Stewardship Dividend** proposes a simple, predictable reform: return a small portion of state sales-tax surpluses to counties in proportion to their participation in the Greenbelt and farmland programs. Doing so would reward agricultural stewardship, strengthen county finances, reduce future state costs, and ease the pressure to convert productive farmland for short-term revenue.

The Problem

- Rural counties rely heavily on property taxes, which incentivizes conversion of farmland to subdivision or commercial development to maximize revenue.
- Many rural counties have enacted significant property-tax increases simply to maintain essential, state-mandated services.
- Underfunded rural infrastructure increase the risk of costly state intervention and regional economic disruption.

Result: Counties face an incentive to permanently displace farmland with development—reducing long-term agricultural capacity, increasing sprawl, eroding the statewide benefits of rural land stewardship, and diminishing the rural character that drives much of Tennessee's tourism economy.

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The Opportunity

Tennessee has an opportunity to strengthen the long-term fiscal health of rural communities while protecting the farmland and open spaces that benefit the entire state. By modernizing how we support land stewardship, we can stabilize county revenue, reduce development pressure, and preserve the agricultural and natural assets that define Tennessee.

One of the most effective tools already in place is the **Greenbelt Program**. When properly administered, it keeps working lands in production, discourages costly sprawl, and preserves the rural landscapes that anchor Tennessee's economy and identity.

But counties are absorbing most of the cost of providing those statewide benefits.

The Greenbelt & Farmland Opportunity

Tennessee depends on its rural counties to maintain the farms, forests, and open areas that drive agriculture, protect natural resources, and support outdoor recreation and tourism.

Yet a structural imbalance persists:

Individual counties bear the cost — the state reaps the benefits.

Under the Greenbelt Program, farmland and forest land are assessed at use value—a necessary protection for working lands. But this sharply reduces local property-tax revenue even as counties must continue funding schools, roads, EMS, law enforcement, and other core services.

Meanwhile, the statewide benefits are substantial:

- A stable agricultural economy
- Lower statewide infrastructure and service costs compared to sprawled development
- Tourism rooted in Tennessee's rural and scenic character
- Natural-resource protection without state land acquisition
- Long-term economic and environmental resilience

The mismatch is straightforward: local governments carry the fiscal load for benefits enjoyed across Tennessee.

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The **Greenbelt Stewardship Dividend** is designed to correct this inequity. By returning a small, formula-based portion of state sales-tax surplus to counties according to their Greenbelt acreage, the state creates a balanced incentive structure that:

- Supports farmland and forest preservation
- Reduces pressure for short-term development decisions
- Protects the rural character central to Tennessee's economy
- Strengthens county budgets without raising property taxes
- Encourages long-term stewardship over short-term revenue needs

In short, the Greenbelt Stewardship Dividend ensures Tennessee invests in the counties that preserve the land Tennesseans value.

A Long-Recognized Problem: TACIR Predicted This Was Coming

A Problem the Legislature Has Known About for Decades

Tennessee's own fiscal research body — the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) — has repeatedly documented that Greenbelt's fiscal impact on rural counties has been growing for more than three decades.
These reports have been consistent, bipartisan, and data-driven.

The Greenbelt Stewardship Dividend is a **long-delayed response** to a structural imbalance the state itself identified many times.

Evidence from TACIR Reports (1990–2022)

1. **Greenbelt reductions have soared statewide**

   TACIR documented a dramatic increase in the tax-base reduction caused by Greenbelt:

   "Statewide, total assessments were reduced by almost $5 billion in 2006 — a 284% increase over 1990. Greenbelt-based assessment reductions as a share of market-based assessments rose from **3.4% to 4.3%**."
   — *Greenbelt Revisited (2009)*

   This means counties have been losing a larger share of their property tax base every decade.

2. **Property tax burdens have shifted onto non-Greenbelt landowners**

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TACIR has shown that, as Greenbelt grows, the remaining tax burden increasingly falls on residential homeowners:

“The burden on residential property has increased while that on farm property has fallen.”
— *The Local Property Tax in Tennessee (2002)*

This shift forces counties into tax hikes that disproportionately affect working families and fixed-income residents.

3. Fiscal disparity among counties is a documented statewide concern

TACIR warned that different counties have drastically different tax bases:

“The uneven distribution of per capita property and sales tax bases among Tennessee counties is a serious fiscal concern.”
— *Property Tax Disparity Among Tennessee Counties (2006)*

Rural counties carry the most Greenbelt land **and** have the smallest tax base — the worst possible combination.

4. TACIR explicitly asked whether the state should provide financial assistance

More than a decade ago, TACIR directly raised the question the Legislature is now forced to confront:

“Should the Legislature consider **state assistance** to counties where the property tax base was severely reduced by the good intentions of the greenbelt?”
— *Greenbelt Revisited (2009)*

This is precisely what the Greenbelt Stewardship Divided delivers — a modest, formula-based, fiscally conservative form of state assistance.

5. TACIR predicted exactly what is happening today

TACIR repeatedly predicted that Greenbelt would lead to:

“Significant reductions in the tax base in many counties, likely causing higher property tax rates on those property owners not enjoying greenbelt valuations.”
— *Greenbelt Revisited (2009)*

This prediction has now materialized into **large property tax increases across Tennessee**, even in counties that have historically avoided them.

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Proposed Solution: Greenbelt Stewardship Dividend

1. Fund Source

A small share of the state's annual sales-tax surplus is placed into a dedicated Greenbelt Stewardship Dividend Fund.

2. Allocation Formula

Broadly stated, each county receives a share of the fund based on its percentage of statewide Greenbelt acreage and agricultural participation.
County Greenbelt Acres / Total Statewide Acres × Fund Size
Optional legislative adjustments—such as population or economic-distress weighting—can refine the model.

3. Permitted Uses

Funds are limited to core county responsibilities:

- Roads, bridges, and facility maintenance/upgrades
- EMS, EMA, law enforcement and court security

Every dividend dollar spent on these obligations is a dollar not raised through property taxes.

4. Oversight

Annual reporting and audits, together with USDA census publications, ensure transparency, with the General Assembly reviewing the formula and thresholds as needed.

Benefits to Tennessee

- **Stabilizes Rural Budgets** – Provides predictable, recurring revenue without raising taxes.
- **Rewards Stewardship, Not Sprawl** – Counties benefit financially by preserving farmland instead of converting it.
- **Protects Tennessee's Agricultural Backbone** – Supports long-term food security and ecological resilience.

Tennessee Greenbelt Stewardship Dividend

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- **Reduces Future State Costs** – Stronger rural infrastructure and EMS lower the likelihood of expensive state intervention.
- **Bipartisan Appeal** – Advances agriculture, fiscal conservatism, conservation, and smart-growth principles.

Call to Action

The **Greenbelt Stewardship Dividend** aligns Tennessee's fiscal policy with its long-term economic and agricultural priorities. By investing a modest portion of state surplus revenue, the Legislature can:

- Protect farmland
- Strengthen rural county budgets
- Reduce future state liabilities
- Ensure balanced, equitable prosperity across Tennessee
- Provide additional funds to address infrastructure and safety needs

Tennessee's rural counties provide immense value to the state. The Greenbelt Stewardship Dividend ensures they are finally recognized—and supported—for it.

Tennessee Greenbelt Stewardship Dividend

Anticipated Questions & Answers

1. Why does the proposal say "address" Greenbelt challenges? Isn't Greenbelt working?

Greenbelt works **as farmland policy**, but it does **not** work for county budgets.

TACIR has repeatedly documented the structural imbalance:

- Greenbelt assessment reductions increased **284%** from 1990–2006.
- Some counties lose **20%+** of their taxable base.
- TACIR explicitly asked whether the Legislature should provide **state assistance**.

Addressing Greenbelt means fixing the **financial imbalance**, not changing the program for farmers.

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2. Does the plan change or weaken Greenbelt?

No.
This proposal does **not** touch eligibility, valuation formulas, rollback taxes, or protections.
It preserves Greenbelt completely and simply stabilizes county finances around it.

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3. Will farmers or landowners pay higher taxes?

No.
The proposal raises **no taxes** on farmers, homeowners, or businesses.
It uses a portion of existing state **surplus** revenue.

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4. Why should the state share sales-tax surplus with counties?

Because counties carry the cost while the **state** receives the benefits of preserved farmland:

- Lower infrastructure costs
- Tourism and scenic character
- Agricultural stability
- Natural-resource protection
- Preserve southern culture for economic development purposes

Tennessee Greenbelt Stewardship Dividend

Anticipated Questions & Answers

This aligns incentives without creating new taxes or mandates.

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5. Is this a new entitlement or permanent spending program?

No.
The Dividend is funded **only from surplus** and is **adjustable annually** by the Legislature.
It is a policy tool, not a guaranteed entitlement.

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6. Why should counties be compensated for "being rural"?

They are not being compensated for being rural —
They are being compensated for **absorbing the tax-base reduction** the state created.

Rural counties maintain:

- Tennessee's agricultural backbone
- Forests and wildlife
- Scenic landscapes
- Tourism assets
- Lower statewide public costs
- Cultural preservation

They provide statewide benefits with **local dollars**.

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7. Is this a bailout for counties that recently raised property taxes?

No.
TACIR documented this problem for nearly **20 years**.
Recent tax hikes (excessive and burdensome) are a **symptom** of the imbalance — not the cause.

This is a structural fix, not a bailout.

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8. Is this fair to urban counties?

Tennessee Greenbelt Stewardship Dividend

Anticipated Questions & Answers

Yes.
Urban counties benefit when rural counties preserve farmland and open space:

- Less statewide infrastructure cost
- Stronger agricultural supply chains
- Tourism generated by rural regions
- Less pressure for costly suburban sprawl
- Environmental resilience (flood mitigation, forests)
- Per MTAS, municipalities already receive a portion of state sales tax based on population — counties do not

Urban counties also continue receiving the largest share of state sales-tax revenues through population and economic activity.

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9. Does this reward poor county financial management?

No.
Money is distributed based solely on **Greenbelt acreage**, not local budgeting decisions.

Funds can only be used for:

- Roads and bridges
- EMS
- Law enforcement
- County facility maintenance

Annual reporting and USDA data collection ensures accountability.

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10. Will this encourage counties to expand Greenbelt eligibility?

No — counties cannot approve or deny Greenbelt applications.
Eligibility is defined by **state law**, not by local officials.
USDA data prevents gaming or manipulation.

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11. Why not reform Greenbelt valuations instead?

Because that would:

Tennessee Greenbelt Stewardship Dividend

Anticipated Questions & Answers

- Raise taxes on farmers
- Incentivize land conversion
- Undermine farmland preservation
- Create statewide administrative disruption

The Dividend preserves Greenbelt while correcting the fiscal inequity — the **lowest-impact, most conservative fix**.

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12. How large would county payments be?

The size depends on the year's surplus.
Even a **small percentage** of surplus provides:

- Predictability
- A stabilized tax base
- Reduced pressure for property-tax increases
- Help for counties with the highest Greenbelt impacts

This is a **scalable** solution.

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13. Will this reduce future state revenue or obligations?

No.
It only applies to **surplus**, not base revenue.
By strengthening rural EMS, infrastructure, and service delivery, the state actually avoids:

- Emergency budgetary interventions
- Infrastructure failures
- Economic disruptions in rural markets

It reduces long-term state liability.

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14. Is this proposal politically feasible?

Yes — it aligns with:

- Fiscal conservatism (no new tax, uses surplus)

- Agricultural protection
- Rural economic stability
- Smart-growth principles
- Bipartisan interests in property-tax relief
- TACIR's longstanding research recommendations

It is a "yes-able" proposal.

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15. Why act now? Hasn't this problem existed for decades?

Yes — and TACIR has confronted the Greenbelt challenges for years in multiple reports requested by the Legislature:

- Assessment reductions up **284%**
- Tax-base impacts over **20%** in some counties
- A "serious fiscal concern"
- The Legislature should consider **state assistance**
- Property tax fails to grow at a rate adequate to finance long-term local government expenditure requirements

The problem has reached a breaking point as rural counties issue record property-tax increases to maintain basic services.

This proposal is the long-overdue solution to a long-documented problem.