

What is Fiscal Review and Why Should I Care?

General Assembly Overview of the Fiscal Review Committee

January 31, 2013



Committee Members

- **Tennessee Code Annotated, Section 3-7-101**
 - *(6) Senators*
 - *(9) Representatives*
 - *(1) Speaker of the Senate, Ex Officio*
 - *(1) Speaker of the House, Ex Officio*
 - *(1) Chair of the Senate, Finance, Ways, Means Committee, Ex Officio*
 - *(1) Chair of the House, Finance, Ways, Means Committee, Ex Officio*

Purpose of Fiscal Review Committee

- **Tennessee Code Annotated, Section 3-7-103**
 - *Impart knowledge of fiscal affairs of the state to the members of the General Assembly*
 - *Prepare and distribute the fiscal note statements*
- *Review certain noncompetitive contracts*
- *Estimate annual tax and lottery revenues for State Funding Board*

What is a fiscal note?

- An estimate of the fiscal impact of a pending bill
- Considers cost and revenue impacts on state and local governments

Why do we prepare fiscal notes?

- Tennessee Code Annotated, Section 3-2-107, requires it:
 - *Fiscal notes shall be provided for all general bills or resolutions increasing or decreasing state or local revenues, making sum-sufficient appropriations, or increasing or decreasing existing appropriations or the fiscal liability of the state or of the local governments of the state.*
- Fiscal notes tell the General Assembly how much a bill will cost and how much revenue it will generate.

- **Fiscal notes also help the General Assembly and the Governor meet two constitutional requirements:**

(1) Balanced budget

- **General appropriations bill**

(2) Providing estimated first-year's funding of new legislation

- **Cumulative fiscal note**

How does the process work?

- Bill introduced
- Assigned to departments / agencies
- Support form received
- Analyst reviews support form and analyzes impact
- Draft fiscal note prepared
- Internal review
- Fiscal Note issued and e-mailed to the sponsors

Let's Get Technical

- Terminology – What is the meaning of:
 - Fiscal Note
 - Corrected Fiscal Note
 - Fiscal Memo
 - Corrected Fiscal Memo
 - “Revised” Fiscal Note



February 11, 2012

SUMMARY OF BILL: Requires the Department of Finance and Administration (F&A) to develop and implement an electronic permit and tracking system to allow applicants to track the status of all permits and licenses issued by state departments. Requires every department to issue a tracking number to each applicant. Requires F&A to track the volume of work completed and the revenue generated by each department. Requires F&A to prepare annual performance reports for each permit and license type to be sent to each member of the General Assembly, the Governor, the Comptroller of the Treasury, and the commissioner of any department where permits are issued pursuant to this system.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$25,500,000/One-Time
\$5,250,000/Recurring**

Assumptions:

- Based on information provided by F&A, there will be at least 14 state agencies issuing permits or licenses that will need to modify their existing licensing systems for the purpose of interfacing with the new permit and tracking system required of F&A.
- State costs will be incurred for the creation of one new system in F&A and for modifications made to at least 14 other agency systems; therefore, work will be required for an estimated 15 systems.
- The Department of Health (DOH) is currently replacing its licensing system at a one-time cost of \$1,700,000 and recurring costs of \$350,000 for operating fees.
- The cost for the DOH to replace its licensing system is representative of the costs that will be incurred by F&A to create the new required permit and tracking system, as well as the cost for other state agencies to modify their existing systems.
- A one-time increase in state expenditures of \$25,500,000 (15 systems x \$1,700,000).
- A recurring increase in state expenditures of \$5,250,000 (15 systems x \$350,000).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

/jaw

SB 3643 - HB 3687

Fiscal Note:

A document that details the fiscal impact of a particular piece of legislation.

A fiscal note is issued for each general bill and most resolutions.

Let's Get Technical

- Terminology – What is the meaning of:
 - Corrected Fiscal Note: A corrected fiscal note is issued for a piece of legislation when it has been discovered that the original fiscal note contained erroneous information.

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 2192 - HB 2746

February 1, 2012

SUMMARY OF BILL: Updates Tennessee Code Annotated references to reflect the renaming of the "Senate Environment, Conservation and Tourism Committee" as the "Senate Energy and Environment Committee."

ESTIMATED FISCAL IMPACT:

On January 27, 2012, a fiscal note was issued estimating a fiscal impact as follows:

Increase State Expenditures \$1,800/One-Time

Based on additional information obtained, the estimated impact is:

(CORRECTED)

NOT SIGNIFICANT

Assumptions:

- According to the Office of Legislative Administration, there will be a one-time increase in state expenditures of \$40 to change the General Assembly directory sign and committee suite. Therefore, there will be a not significant fiscal impact to state government.
- There will not be an increase in expenditures to change stationery, business cards, or letterhead associated with the renamed committee. Letterhead will be printed on gold seal stationery that is paid out of the members' postage accounts. Each member is currently appropriated money to pay for such items. The Chairman's business cards already reflect the name change which took place by rule in 2011. Other members of the committee do not have the committee name on business cards.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

/lsc

SB 2192 - HB 2746 (CORRECTED)

Let's Get Technical

- Terminology – What is the meaning of:
 - Fiscal Memo: A fiscal memo is the document that details the fiscal impact of a particular amendment or amendments. The draft code(s) of the affected amendment(s) will be listed on the memo.

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2273 – SB 3479

March 14, 2012

SUMMARY OF AMENDMENT (013195): Deletes Section 2 of the original bill that required teachers who are granted a leave of absence to teach in a public charter school to continue to participate in, and contribute to, the Tennessee Consolidated Retirement System (TCRS).

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

- Public charter school teachers are considered local board of education employees.
- Using years of service to determine the tenure status of public charter teachers returning to the regular LEA will have no fiscal impact on state or local government.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Lucian D. Geise in black ink.

Lucian D. Geise, Executive Director

/msg

HB 2273 – SB 3479

Let's Get Technical

- Terminology – What is the meaning of:
 - Corrected Fiscal Memo: A corrected fiscal memo is issued when it has been discovered that the original fiscal memo contained erroneous information.



CORRECTED ←
FISCAL MEMORANDUM

SB 3237 – HB 3475

April 21, 2012

SUMMARY OF AMENDMENT (014208): Deems a facility, which extracts, purifies, dehydrates, or treats landfill methane to render it eligible for transportation by natural gas pipelines, to have a value not to exceed one-third of its total installed costs or other value for green energy production facilities for the purposes of assessing value for ad valorem taxes.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – Exceeds \$83,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 19, 2012, a fiscal memorandum was issued estimating a fiscal impact as follows:

Decrease Local Revenue – Exceeds \$28,200

Due to incomplete information, this impact was in error. Based on additional information provided by McMinn County, the estimated impact is:

← **(CORRECTED)**

Decrease Local Revenue – Exceeds \$35,400

Assumptions applied to amendment:

- Based on information provided by the Comptroller of the Treasury, the provisions of the bill as amended will only affect the value of the improvement and any personal property used to treat landfill methane and will not affect the land value or the pipeline of the regulated pipeline company.
- Based on information provided by the Comptroller, one facility in Hawkins County is treating landfill methane to render it quality eligible for transport by a natural gas pipeline.
- The classification rate for tangible personal property in Hawkins County is 30 percent of \$2.3450 per \$100 of assessed value.

SB 3237 – HB 3475 (CORRECTED)

- According to the Comptroller, the estimated appraised value for the tangible personal property of the Hawkins County facility is \$1,500,000. Under the provisions of the bill as amended, the value would be one-third or \$495,000 ($\$1,500,000 \times 33.0\%$).
- Under current law, the amount of tax due is \$10,553 ($\$1,500,000 / \$100 \times 30.0\% \times \2.345). Under the bill as amended, the amount of tax due will be \$3,482 ($\$495,000 / \$100 \times 30.0\% \times \2.345). The recurring decrease in local revenue to Hawkins County is estimated to be \$7,071 ($\$10,553 - \$3,482$).
- There is also a facility in McMinn County. The classification rate for tangible personal property in McMinn County is 30 percent of \$1.5553 per \$100 of assessed value.
- Based on information provided by officials in McMinn County, the estimated value for the tangible personal property of a facility is \$4,700,005. Under the provisions of the bill as amended, the value would be one-third or \$1,551,002 ($\$4,700,005 \times 33.0\%$).
- Under current law, the amount of tax due is \$21,930 ($\$4,700,005 / \$100 \times 30.0\% \times \1.5553). Under the bill as amended, the amount of tax due will be \$7,237 ($\$1,551,002 / \$100 \times 30.0\% \times \1.5553). The recurring decrease in local revenue is estimated to be \$14,153 ($\$21,930 - \$7,237$).
- Based on information provided by the Comptroller's Office for similar legislation in 2011, there are approximately four facilities that could be affected by this proposed legislation.
- If tax rates for two additional facilities were reduced, it is estimated that the amount of local revenue loss would, at a minimum, be similar to the decrease realized by Hawkins County. The recurring decrease in local revenue for two additional facilities statewide is estimated to exceed \$14,142 ($\$7,071 \times 2$ facilities).
- The total recurring decrease in local revenue statewide is estimated to exceed \$35,366 ($\$7,071 + \$14,153 + \$14,142$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

/kml

SB 3237 – HB 3475 (CORRECTED)

2

Volume of Fiscal Notes and Memos



2012 Session

Fiscal
Notes
Written
1797

Memos
Written
946

Your interaction with FRC

- *Your member asks you if a fiscal note is completed on his or her original bill (this is different from an amendment to the bill)*
- Open bill tracking on the computer. Search for the requested bill. Open "Fiscal Summary" Box. Inside that box there is a heading that says, "Fiscal Note." If there is a link under that heading, it means the fiscal note has been completed.

TNGA Bill Tracking

BACK NEXT MyList REPORT

SB FIND IT!

bill amend res jnt cc pc pr House Senate

SB 0002 by Yager, Ken **HB 0017 by Calfee, Kent**

DraftID 000433 CoSponsors: NONE DraftID 000433

TRANSPORTATION AND SAFETY COMMITTEE TRANSPORTATION COMMITTEE

SEARCH

Highway Signs - As introduced, names bridges at Midtown interchange on I-40 in Roane County in honor of Paul E. Easter and James W. Harmon.

Last Major Action: Placed on S. Trans Comm. cal. for 2/6/2013

Action History Report

History **Fiscal Summary** Bill Summary Video

B0002

SB 0002/HB 0017

Other Fiscal Impact - Not Significant to State and Local Government - However, to the extent that non-state funds are received from a local government, there will be a one-time, permissive increase in local government expenditures of \$600.

TNGA Bill Tracking

BACK NEXT MyList REPORT

SB FIND IT!

bill amend res jnt cc pc pr House Senate

SB 0002 by Yager, Ken **HB 0017 by Calfee, Kent**
 DraftID 000433 **CoSponsors: NONE** **CoSponsors: NONE** DraftID 000433
 TRANSPORTATION AND SAFETY COMMITTEE TRANSPORTATION COMMITTEE

SEARCH

Highway Signs - As introduced, names bridges at Midtown interchange on I-40 in Roane County in honor of Paul E. Easter and James W. Harmon.

Last Major Action: Placed on S. Trans Comm. cal. for 2/6/2013

Action History Report

History Fiscal Summary Bill Summary Video

SB0002

SB 0002/HB 0017

Other Fiscal Impact - Not Significant to State and Local Government - However, to the extent that non-state funds are received from a local government, there will be a one-time, permissive increase in local government expenditures of \$600.



S80002.PDF - Adobe Reader
File Edit View Window Help
Tools Sign Comment
Click on Tools to convert PDF documents to Word or Excel.

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE
SB 2
January 8, 2013

SUMMARY OF BILL: Designates the eastbound bridge spanning Interstate 40 on State Route 29 at the Midtown interchange on Interstate 40 in Rutherford County as the *Paul E. Escott Bridge*. Designates the westbound bridge spanning Interstate 40 on State Route 29 at the Midtown interchange on Interstate 40 in Rutherford County as the *James W. Harrow Bridge*. Directs the Department of Transportation (TDOT) to manufacture and erect suitable signs. Designating signs shall be erected only if the cost of the manufacture and installation of such signs is paid to TDOT from non-state funds within one year of the effective date of this bill.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Not Significant to State and Local Government – However, to the extent that non-state funds are received from a local government, there will be a one-time, permissive increase in local government expenditures of \$600.

Assumption:

- The cost to manufacture and erect four (4) signs at \$150 each is \$600.

CERTIFICATION:

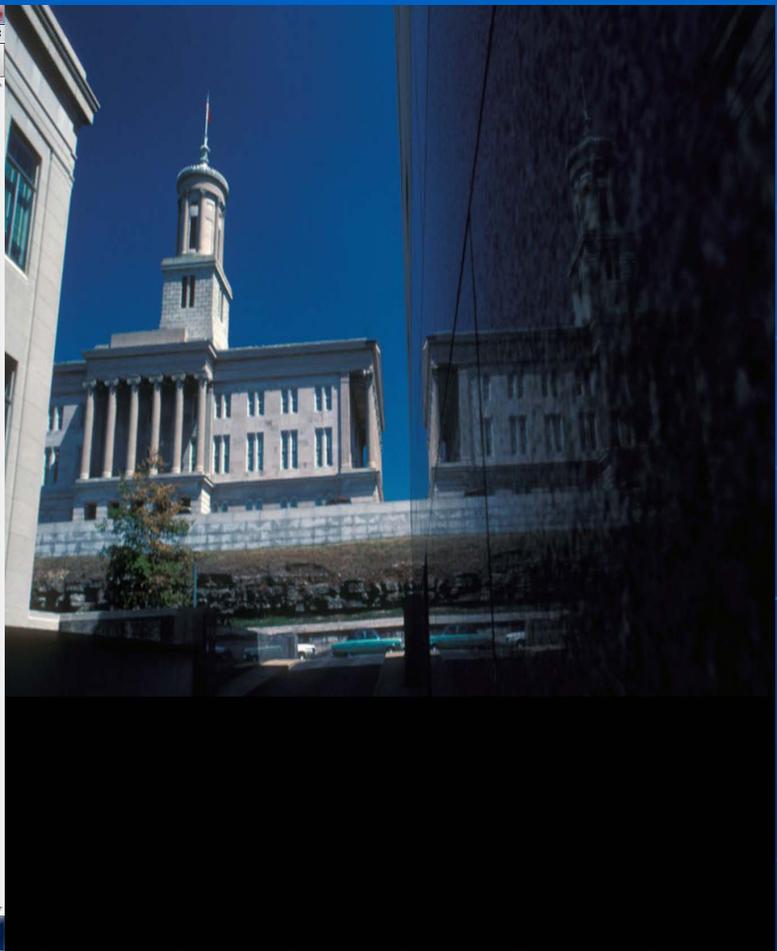
The information contained herein is true and correct to the best of my knowledge.


Lucian D. Geise, Executive Director

./bs

SB 2

12:15 PM
1/9/2013



Amendments

A number of bills will be amended. Fiscal Review will be asked to write a fiscal memorandum on the amendment. This memorandum will be e-mailed to the Chief Clerks, sponsors of the bill and the committee(s) in which the bill is scheduled to appear.

For those of you who work for a committee, especially one of the finance committees, your office will receive a large number of these memoranda. When they receive them by e-mail, they may print them off and have you file them. These memoranda are extremely important. If you are requested to file these, please do so.

- A member asks you to bring an amendment to Fiscal Review. **The amendment should be an amendment that has been drafted by legal services and has a bar code/draft code at the bottom.** You will need to fill out a "Fiscal Review Memo Request Form." That form will be available in our office and will also be available on the "G" drive of your computer.
- To access this form on your computer, right click on the "start button." Open "explore." Click on the "G" drive. Find the folder "FRC Fiscal Memos." Open this folder. You will see a document titled "Fiscal Review Memo Request Form." This is the form you will need to fill out to accompany the amendment.
- You should either hand-deliver, email, or fax the request to our office. When you get to our office, give it to Arlene or the analyst who wrote the fiscal note on the original bill.
- **Do not leave an amendment on the front desk without any information or without talking to anyone. The amendment will be discarded.** If you email or fax the amendment to us, please call to confirm that we have received it. You may directly fax the Memo Request Form and Amendment to Arlene at 532-7393 or email the Memo Request Form and Amendment to Arlene at arlene.mobley@capitol.tn.gov.

**FISCAL REVIEW
MEMO REQUEST FORM**

Date _____

PRINTED Bill Number _____

Draft Code Number _____

Sponsor(s) of legislation _____

Member(s) requesting if different from sponsor _____

Committee Name _____

Date and Time of Committee for amendment _____

***Memo will be prepared as soon as possible once information is received from the department in question and data is analyzed**

FISCAL REVIEW COMMITTEE

How do you get a copy of a completed fiscal memo?

- The memos affecting a member's original bill will be e-mailed to the member and the member's assistant upon completion. The memo is also e-mailed to the Office of the Chief Clerk in each chamber and to the appropriate committee or subcommittee.
- You may obtain a copy of any fiscal memo from the "G" drive on your computer. Find the folder "FRC Fiscal Memos." Open this folder and then open the folder for the correct year. If the memo has been completed, it will be listed by the printed bill number. The number in parentheses will be the draft code of the amendment. The draft code on the memo must match the draft code on the amendment to be valid. The amendment draft code will be found in the lower right-hand corner of the amendment. We only use the first six numbers. [Example: HB 0121 (006470)].
- Once an amendment has been adopted by a full Committee and appears on bill tracking, the fiscal memo for that amendment will also be on bill tracking and on the General Assembly's Web site.

- *If you have an urgent need to locate a fiscal note for an original bill or*
- *A fiscal memorandum for an amendment:*
 - Call us or come by our office and Arlene will give you a copy of the note. If she is unavailable, anyone can help you. Just ask.

Where are we and how do you contact us?

- **Fiscal Review Committee**
- **8th Floor, Rachel Jackson Building**
 - 320 6th Avenue N
 - Nashville, TN 37243-0057
- **(615) 741-2564**
- We are on the corner of 6th and Deaderick (at the 3-way stop across from TPAC and Legislative Plaza) on the 8th floor of the Rachel Jackson Bldg.
- Be sure and bring your State ID to enter the building.

Contact Person

Arlene Mobley

Phone: 741-2564

Fax: 253-0175

E-mail:

arlene.mobley@capitol.tn.gov

For additional information or a copy of this presentation, please visit the Fiscal Review Committee Web site:

<http://www.legislature.state.tn.us/joint/Staff/FR>

Questions?



- Fiscal Review Committee
 - Lucian Geise, Executive Director