

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 1916 - HB 2011

March 13, 2014

SUMMARY OF BILL: Enacts the “Tennessee Call Center Jobs Act” which requires employers, intending to relocate a call center from Tennessee to a foreign country, to notify the Commissioner of the Department of Labor and Workforce Development (DLWD) at least 60 days prior to any such relocation. Violation of the act is subject to a civil penalty up to \$10,000 per day.

ESTIMATED FISCAL IMPACT:

On February 26, 2014, a fiscal note was issued for this bill with the following estimated fiscal impact:

NOT SIGNIFICANT

On March 3, 2014, the Department of Finance and Administration submitted information concerning the bill that had not been taken into consideration at the time the fiscal note was prepared and issued. Given the new information concerning the bill, the fiscal note has been corrected to reflect the following estimated fiscal impact:

(CORRECTED)

Increase State Expenditures –

Exceeds \$1,000,000/FY15-16 and Subsequent Years

Corrected assumptions:

- According to DLWD, the provisions of this bill fall under the WARN law currently codified in Tennessee Code Annotated. As a result any fiscal impact to the department is considered not significant.
- According to the Department of Finance and Administration (F&A), the Benefits Administration Division contracts with several vendors that operate call centers.
- Pursuant to the proposed section of Tenn. Code Ann. § 4-3-1413(f), in Section 1 of the bill, each executive agency shall ensure that all state-business-related call center and customer service work be performed by state contractors entirely with the state of Tennessee. In addition, any state contractors who currently performs such work outside

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of this state shall have until July 1, 2017, to comply with the provisions of the bill; provided, if any such state contractor hires an employee on or after July 1, 2015, who shall perform work on a state contract, the employer shall ensure that the employee performs such work entirely in Tennessee.

- The effective date for this bill is July 1, 2015.
- F&A indicates that several state-business-related call centers meeting the applicable definitions in the bill are operated out-of-state for which a significant portion of overflow calls are redirected.
- F&A indicates that the provisions of this bill will require state contract vendors to expand operations in Tennessee significantly in order for all state work to be performed entirely in Tennessee. Given costs for these contract vendors will increase as a result of expansion and meeting the provisions of the bill, state contracting costs are expected to increase beginning in FY15-16. The precise amount of any increased state expenditures cannot be determined for such impact is dependent upon several unknown factors. However, the recurring increase in state expenditures is reasonably estimated to exceed \$1,000,000 beginning in FY15-16.
- Any increase in state revenue from civil penalties is considered not significant.

IMPACT TO COMMERCE:

On February 26, 2014, the following commerce impact statement was estimated for this bill:

NOT SIGNIFICANT

Based on additional information provided by the Department of Finance and Administration, the commerce impact statement has been corrected as follows:

(CORRECTED)

Increase Business Revenue –

Exceeds \$1,000,000/FY15-16 and Subsequent Years

Increase Business Expenditures –

Exceeds \$1,000,000/FY14-15 and Subsequent Years

Jobs Impact – the impact to Tennessee jobs is considered positive; however, the number of any new Tennessee jobs created cannot be quantified because such impact is dependent upon several unknown factors.

Corrected Assumptions:

- Given that state contract vendors will have to expand operations in Tennessee for meeting the provisions of this bill, it is anticipated that such vendors will recognize both a recurring increase in business expenditures due to costs associated with expansion, and a recurring increase in business revenue as such expansion costs are passed onto to the state in contracting costs.
- The extent of any recurring increase in business expenditures is unknown, but is reasonably estimated to exceed \$1,000,000 per year. Such expenditures could include costs for planning and development, facility expansions, relocation costs, and additional wage expenses. These recurring business expenditures are assumed to begin occurring in FY14-15 because the vendors will have to plan accordingly and be compliant no later than July 1, 2017. The increase in business expenditures are expected to continue beyond July 1, 2017, as a result of anticipated wage expense increases.
- The extent of any increased business revenue is unknown, but is reasonably estimated to exceed \$1,000,000. The recurring increase in business revenue is not anticipated to begin until July 1, 2015, which coincides with the effective date for the bill.
- Given that certain vendors will be required to expand operations in the state for meeting the provisions of this bill, the number of Tennessee jobs is expected to increase. However, a specific number cannot be determined for such impact is dependent upon several unknown factors.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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