

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1775 - HB 2047

February 15, 2016

SUMMARY OF BILL: Transfers the Bomb and Arson Unit from the Department of Commerce and Insurance (Commerce & Insurance) to the Tennessee Bureau of Investigation (TBI). Transfers any existing rules and regulations to the TBI, and gives the TBI the authority to promulgate rules and regulations to effectuate the transfer.

Requires the transfer to be made by January 1, 2017.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$294,000/One-Time/General Fund
\$1,300,000/One-Time/Fire Prevention Fund
\$3,536,200/Recurring/General Fund

Assumptions:

- Tenn. Code Ann. § 68-102-101 delegates the duty of preventing and investigating fires destructive of buildings and other property to the Commissioner of Commerce & Insurance. The Fire Prevention Division contains both the preventative and investigative units of Commerce & Insurance. The Bomb and Arson Unit is the investigative unit.
- The bill will transfer the current Bomb and Arson Unit from Commerce & Insurance to the TBI. However, the bill does not relieve Commerce & Insurance from its duty to investigate destructive fires in Tennessee. It is assumed that Commerce & Insurance will have to replace the personnel, equipment, and assets transferred to the TBI in order to satisfy its statutory duty.
- The Bomb and Arson Unit required \$2,865,500 in expenditures for FY14-15. The unit's expenditures come from the Fire Prevention Fund. Tenn. Code Ann. § 68-102-142 establishes a charge against fire insurance companies doing business in Tennessee. At the time the companies pay other taxes owed in Tennessee, the companies must pay 0.75 percent on the net premium receipts on all business conducted in Tennessee.
- This charge is paid directly to Commerce & Insurance and deposited in a separate fund, the Fire Prevention Fund. The funds can only be used for the maintenance and expenses of the Division of Fire Prevention within Commerce & Insurance. Any funds remaining at the end of the fiscal year are transferred to the General Fund.
- It is assumed that the personnel, equipment, and assets of the Bomb and Arson Unit will be transferred to the TBI, but not any funds from the Fire Prevention Fund. Further, it is assumed that there will be no decrease in expenditures from the Fire Prevention Fund,

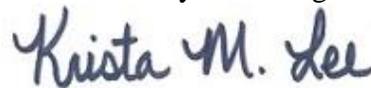
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because Commerce & Insurance will need to replace the personnel, equipment, and assets being transferred.

- According to Commerce & Insurance, approximately \$1,300,000 in equipment and assets will be transferred to the TBI. It is assumed that the bill will result in a one-time expenditure from the Fire Prevention Fund of \$1,300,000 for equipment and assets.
- Approximately 30 personnel positions (27 agents and three support staff) will be transferred to the TBI along with the equipment and assets. The agents will become TBI agents, and they will receive an increase in salary.
- The bill will increase TBI's recurring expenditures by \$2,865,500, which equals the current expenditures for the Bomb and Arson Unit. The current average salary of a bomb and arson agent is \$46,555.66, and the average salary a TBI agent with comparable experience is \$66,804.96. The average increase in salary for the agents is \$20,249.30 (\$66,804.96 - \$46,555.66). The bill will result in a recurring increase in state expenditures estimated to be \$670,729.68 {[\$20,249.30 + (\$20,249.30 x 0.1503 benefits) + (\$20,249.30 x 0.0765 FICA)] x 27 agents}. There will not be an increase for any insurance costs as these are included in the \$2,865,500 currently incurred by the Bomb and Arson Unit.
- The total recurring increase in state expenditures from the General Fund is estimated to be \$3,536,229.68 (\$2,865,500 + \$670,729.68).
- Upon becoming TBI agents, the agents of the Bomb and Arson Unit will become a state police officer for purposes of the Tennessee Consolidated Retirement System (TCRS).
- Tennessee Code Annotated § 8-36-205 requires mandatory retirement for state police officers.
- Tennessee Code Annotated § 8-39-211 provides that state police officers who retire under the mandatory retirement provisions shall receive a supplemental bridge benefit in addition to a retirement allowance until the first day of the month following the month in which the member reaches the age requirement for receipt of old age and survivors benefits under the federal Social Security Act.
- Further, Tenn. Code Ann. § 8-36-201 authorizes state police officers to retire with unreduced benefits at age 55 with 25 years of service.
- The bill will increase TCRS's lump sum pension liability by \$294,000. It is assumed that 100 percent of this additional liability to TCRS will be funded in the first year following passage; as a result, a one-time increase in state expenditures from the General Fund of \$294,000.

CERTIFICATION:

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



Krista M. Lee, Executive Director

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