

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 82 - SB 1486

March 8, 2019

SUMMARY OF ORIGINAL BILL: Requires, rather than authorizes, county clerks to perform notation of liens and encumbrances and extensions of mortgages on certificates of title. Establishes that, of the \$11.00 fee for noting new or transferring liens or encumbrances or for noting on a certificate of title the extension of any mortgage, \$3.00 is to be retained by county clerks to be used for office supplies and equipment required to perform such duties, and \$8.00 is to be remitted to the Department of Revenue (DOR).

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – \$2,850,000/Department of Revenue

Decrease State Expenditures - \$226,000/Department of Revenue

Increase Local Revenue – \$2,850,000

Increase Local Expenditures –\$226,000*

SUMMARY OF AMENDMENT (005254): Deletes and replaces Section 5 of the bill, and deletes Sections 8 and 9, such that substantive changes include:

- Establishes that, in the event a certificate of title is in possession of some prior lienor, the new or subordinate lienor is required to forward to the respective county clerk, rather than the DOR, the required fee for noting the lien, along with proof of the lien as required by rules and regulations of the DOR, and the county clerk, when satisfied of the right to have the lien noted on the certificate of title, shall forward the application and proof of lien to the DOR; and
- Establishes that all proceeds from the \$11.00 fee for noting new or transferring liens or encumbrances or for noting on a certificate of title the extension of any mortgage continue to be allocated to the DOR.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Expenditures - \$226,000/Department of Revenue

Increase Local Expenditures –\$226,000*

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Assumptions for the bill as amended:

- Under current law, county clerks are authorized to perform duties in connection with services normally performed by the DOR related to the notation of liens and encumbrances and extensions of mortgages on certificates of title.
- Proceeds from the \$11.00 fee imposed on any such transaction are remitted to the DOR.
- According to the DOR, there were 956,960 lien notations in FY17-18. It is assumed that the total number of annual transactions in FY19-20 and subsequent years will be approximately 950,000 each year.
- According to the DOR, there are three full-time positions and annual mailing expenses designated to the notation of liens and encumbrances and extensions of mortgages on certificates of title.
- A recurring decrease in state expenditures of \$225,953 (salaries \$117,540 + benefits \$51,333 + mailing costs \$57,080).
- It is reasonable to assume that local governments will incur additional expenditures for office supplies and equipment, and potentially additional personnel needed to comply with the requirements of this legislation. Any such increase in expenditures will vary between local governments and cannot be quantified with certainty. However, it is assumed that the cost for local governments to perform such duties will be approximately equal to that of the DOR. Therefore, the mandatory recurring increase in local expenditures is estimated to be approximately \$226,000.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb