

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 298 - SB 851

February 21, 2019

SUMMARY OF BILL: Authorizes counties to employ up to two certified full-time firefighters to staff each volunteer fire department. Requires the state to pay all costs associated with health and retirement benefits for such firefighters.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$2,383,300

Increase Federal Expenditures – Exceeds \$223,600

Increase Local Expenditures – Exceeds \$10,466,900/Permissive

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to exceed \$9,620,100.

Assumptions:

- According to the Department of Commerce & Insurance, there are 524 volunteer fire departments statewide. The number of volunteer fire departments within each county ranges from 0 to 18.
- The proposed legislation will authorize counties to employ up to two full-time firefighters at each volunteer fire department with such firefighter's salaries paid by the county and all costs associated with health and retirement benefits paid by the state.
- Counties will elect to hire at least one firefighter for half of the volunteer fire departments statewide, resulting in the hiring of 262 (524 fire departments / 2) firefighters.
- The employer share of the state employee health plan is \$543 per month, or \$6,516 a year, for the Premier Preferred Provider Organization (PPO) and Standards PPO and Consumer Driven Health Plan with a Health Savings Account (CDHP/HSA). The state puts in an additional \$250 for each CDHP/HSA member annually. It is deposited at the first of the year.
- Based on information provided by the Department of Finance and Administration, Division of Benefits Administration, 92 percent of current state employees enroll in the PPO programs and 8 percent enroll in the CDHP/HSA program.

- Assuming 262 firefighters, the increase in state expenditures is estimated to exceed \$1,707,192 (262 firefighters x \$6,516).
- Assuming 8 percent, or 21 (262 firefighters x 8%) firefighters opt into the CDHP/HSA plan, the additional increase in state expenditures is estimated to exceed \$5,250 (21 firefighters x \$250).
- Based on figures provided through the United States Bureau of Labor Statistics, the annual mean wage for a fulltime firefighter in Tennessee is \$39,950.
- Based on information provided from the Tennessee Consolidated Retirement System (TCRS), the total increase of liability to the pension system relative to the hiring of 262 firefighters at the current average salary is estimated to exceed \$9,620,116, with annual payments of \$894,504.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The recurring increase in state expenditures for retirement coverage of the applicable firefighters is estimated to exceed \$670,878 (\$894,504 x 75%).
- The recurring increase in federal expenditures is estimated to exceed \$223,626 (\$894,504 x 25%).
- The proposed legislation will require any firefighter hired by a county to be certified by the Commission on Firefighting Personnel Standards Education (CFPSE) prior to employment.
- Pursuant to Tenn. Code Ann. § 4-24-201, any unit of government employing firefighters, all of whom must meet the minimum employment standards established by the Commission, who are certified and complete continuing education training each year are entitled to receive a pay supplement of \$600 from the CFPSE.
- According to the CFPSE, firefighters hired pursuant to this legislation will be employed at a volunteer fire department. Volunteer firefighter departments do not meet the training program requirements or employment standards established by the CFPSE; therefore, the newly hired firefighters will not be eligible to receive the pay supplements.
- The total recurring increase in state expenditures is estimated to exceed \$2,383,320 (\$1,707,192 PPO benefit + \$5,250 CDHP/HSA benefit + \$670,878 retirement).
- The permissive recurring increase in local expenditures for payment of salaries is estimated to exceed \$10,466,900 (\$39,950 salary x 262 firefighters) statewide.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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