

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1844 - SB 2400

February 13, 2020

**SUMMARY OF BILL:** Defines “living wage” as a pay rate of at least \$12.50. Prohibits the Commissioner of the Department of Finance and Administration (F&A) from disbursing any moneys from the Treasury to a private entity unless the private entity provides evidence, in a form as determined satisfactory by the Commissioner, that the private entity pays its employees a living wage.

Prohibits a state governmental entity from disbursing any state funds to a private entity unless the private entity provides evidence, in a form as determined satisfactory by the state governmental entity, that the private entity pays its employees a living wage.

Requires all contracts entered into for the purchase of goods and services by state governmental entities to include language requiring the applicable private entity that will receive state funds under the contract to pay living wages to its employees. Declares the living wage requirement is not waivable and any contract in violation of this section is void as it is against public policy.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – A recurring increase in state expenditures. Due to multiple unknown factors, such increase cannot be quantified with reasonable certainty.**

Assumptions:

- The proposed legislation could decrease the number of qualified providers for procurement of goods and services due to noncompliance with living wage requirements of the legislation. In addition, to the extent private entities increase employee wages to meet the living wage requirement, cost of goods and services provided by such entities could increase. Therefore, it is assumed that the proposed legislation will result in a recurring increase in state expenditures due to increased costs of contracting for goods and services.
- Due to multiple unknown factors, including the number of state contracts that would be affected, current wages paid by private entities that receive state funds, the number of employees that would be affected, and the ability of the state to continue to contract with certain vendors, an exact increase in state expenditures cannot be determined with reasonable certainty.

**IMPACT TO COMMERCE:**

**Other Commerce Impact – A recurring increase in business expenditures, with subsequent partially offsetting increases in business revenue. Due to multiple unknown factors, an exact impact to commerce or jobs in Tennessee cannot be quantified with reasonable certainty.**

Assumptions:

- The proposed legislation could result in increased business expenditures for entities that will increase employee wages to meet the living wage requirement of this legislation. Subsequent impacts to business revenue could occur, if such entities increase prices of goods and services to offset the increased labor expenditures. Additional business revenue and expenditure impact may occur if the proposed legislation restricts competition for the state procurement of goods and services.
- Due to multiple unknown factors, including the number of state contracts that would be affected, current wages paid by private entities that receive state funds, the number of employees that would be affected, and the ability of the state to continue to contract with certain vendors, an exact impact to commerce or jobs in Tennessee cannot be determined.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

/jem