

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2010 - SB 2071

February 28, 2020

SUMMARY OF BILL: Beginning January 1, 2021, authorizes certain counties to forgo certain mandatory increases in compensation for county officials in years where such county experiences substantial economic distress, as determined by the Department of Economic and Community Development (ECD).

ESTIMATED FISCAL IMPACT:

Decrease Local Expenditures – Exceeds \$20,000/FY21-22 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann. § 8-24-102:
 - Minimum compensation rates for general county officers are determined by the county's population, with such minimum rates of compensation differing based on the type of official;
 - Each year the percentage of average annualized general increase in state employee compensation for the previous fiscal year is determined;
 - Counties with populations at or above the median county population are required to increase the minimum compensation for county officials by this percentage; and
 - The dollar amount of increase paid by the county with the median population is the amount of increase provided to county officials in counties with a population below the median county population.
- The proposed language:
 - Authorizes counties found to be economically distressed, as determined by the ECD, to pass a resolution to forgo the increase in county official compensation; and
 - The minimum compensation would increase to the level originally required when the ECD determines the county to no longer be economically distressed or until the next county general election after the resolution is adopted.
- The average annualized general increase in state employee compensation was found to be the following:
 - In FY17-18, 4.66 percent;
 - In FY18-19, 2.5 percent; and
 - In FY19-20, 3.46 percent.

- According to the Appalachian Regional Commission index of county economic status, utilized by the ECD:
 - In 2018 there were 19 economically distressed counties;
 - In 2019 there were 15 economically distressed counties; and
 - In 2020 there are 15 counties which are currently labeled as economically distressed.
- In any given year, the number of counties found to be economically distressed, the extent of required increase in compensation, the number of counties opting to forgo increases in compensation, and the length of time such compensation will be forgone will vary.
- The proposed language is effective January 1, 2021. It is reasonably assumed that beginning with the FY21-22 budget cycle, at least two counties per year will opt to forgo compensation increases. For any county opting to forgo such compensation increases, it is reasonably estimated to result in a decrease in local expenditures exceeding \$10,000 per county.
- The total recurring decrease in mandatory local expenditures is estimated to exceed \$20,000 (\$10,000 x 2 counties) each year, beginning in FY21-22.
- When a county is determined to no longer be economically distressed or the next county general election, the compensation rate is increased in an amount it would have been increased in the year in which the resolution forgoing the increase was passed.
- The extent of difference between the compensation rate in a fiscal year in which the increase is no longer forgone versus the compensation rate which would have otherwise been required cannot reasonably be determined.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jrh