

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**SB 891 - HB 1174**

March 15, 2019

**SUMMARY OF BILL:** Requires a state agency procuring a contract in excess of \$2,500,000, or a contract that results in the layoff or furlough of one or more state employees, to produce an economic impact statement. Authorizes the chair of the standing committee for either house that has jurisdiction over the state agency seeking the contract to schedule a hearing to review the statement.

**ESTIMATED FISCAL IMPACT:**

On March 14, 2019, a fiscal note was issued for this legislation estimating a fiscal impact as follows:

*NOT SIGNIFICANT*

Updated information on the volume and complexity of economic impact statements permits a corrected estimated fiscal impact as follows:

**(CORRECTED)**

**Other Fiscal Impact – To the extent contracts meet the requirements established within the proposed legislation, there could be increased expenditures to various state government agencies. There may also be state cost avoidances resulting from not entering into contracts for certain services. The net impact of this legislation and the timing of any future impact cannot be reasonably determined for such impacts are dependent upon multiple unknown factors.**

Corrected Assumptions:

- Pursuant to Tenn. Code Ann. § 12-3-312(b), a state agency procuring a contract for services with a private party in excess of \$2,500,000 and that results in the layoff or furlough of one or more state employees requires the agency to produce an economic impact statement.
- This legislation requires an economic impact statement to be produced prior to a state agency procuring a contract for services with a private party in excess of \$2,500,000 or a contract that results in the layoff or furlough of one or more state employees.

- Pursuant to Tenn. Code Ann. § 4-33-104(b), an economic impact statement is required to include the following information:
  - 1) A description of the action proposed, the purpose of the action, the legal authority for the action and the plan for implementing the action;
  - 2) A determination that the action is the least-cost method for achieving the stated purpose;
  - 3) A comparison of the cost-benefit relation of the action to non-action;
  - 4) A determination that the action represents the most efficient allocation of public and private resources;
  - 5) A determination of the effect of the action on competition;
  - 6) A determination of the effect of the action on the cost of living in the geographical area in which the action would occur;
  - 7) A determination of the effect of the action on employment in the geographical area in which the action would occur;
  - 8) The source of revenue to be used for the action; and
  - 9) A conclusion as to the economic impact upon all persons substantially affected by the action, including an analysis containing a description as to which persons will bear the costs of the action and which persons will benefit directly and indirectly from the action.
- Should future contracts meet the proposed requirements, there could be additional increased expenditures for all involved state departments and agencies. The timing and extent of any future impacts cannot be reasonably determined.
- Avoidance of contract costs may be realized by state agencies that would have otherwise contracted for services in the absence of this legislation; however, the extent and timing of any cost avoidance is dependent upon multiple unknown factors.
- Pursuant to Tenn. Code Ann. § 12-3-312(d), the Chair of the Fiscal Review Committee (FRC) may schedule a hearing to review the impact statement after the statement has been submitted to the FRC for distribution to the members of the General Assembly.
- The proposed legislation authorizes the chair of the standing committee that has jurisdiction over the state agency seeking the contract, or the FRC, to schedule a review hearing.
- It is assumed that any such review will occur during the normal course of business and any change in state expenditures for such meetings is estimated to be not significant.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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