TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 174 - SB 251

February 20, 2019

SUMMARY OF BILL: Transfers the Fire Investigations Section of the Fire Prevention Division from the Department of Commerce and Insurance to the Tennessee Bureau of Investigation by January 1, 2020.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $217,200/FY19-20/Fire Prevention Fund
$434,400/FY20-21 and Subsequent Years/
Fire Prevention Fund

Increase Federal Expenditures – $7,600/FY19-20
$15,200/FY20-21 and Subsequent Years

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be $466,000.

Assumptions:

- Current law, Tenn. Code Ann. § 68-102-101, delegates the duty of the suppression of arson and the investigation of the cause, origin, and circumstances of fires to the Commissioner of the Department of Commerce and Insurance.
- These duties are currently accomplished by fire investigators in the Fire Investigation Section (FIS) of the Fire Prevention Division within the Department of Commerce and Insurance (DCI).
- The FIS required $3,074,200 in expenditures for FY17-18. The section's expenditures come from the Fire Prevention Fund (FPF). Tenn. Code Ann. § 68-102-142 establishes a charge against fire insurance companies doing business in Tennessee. At the time the companies pay other taxes owed in Tennessee, the companies must pay 0.75 percent on the net premium receipts on all business conducted in Tennessee.
- This charge is paid directly to DCI and deposited in a separate fund, the FPF. Under current law, funds can only be used for the maintenance and expenses of the Fire Prevention Division within DCI. Any funds remaining at the end of the fiscal year are transferred to the General Fund.

- The proposed legislation authorizes payment of expenses incurred by the FIS to continue to be paid by the FPF after the transfer to Tennessee Bureau of Investigation (TBI).
- Based on information provided by the Department of Human Resources, any impact to the Department resulting from the transfer of such employees is estimated to be not significant.
- Approximately 27 personnel positions (23 fire investigators, one mechanic, and three support staff) will be transferred to the TBI along with equipment and assets. The fire investigators will become TBI agents, and they will receive an increase in salary.
- The current average salary of a fire investigator is $46,700, and the average salary of a TBI agent with comparable experience is $61,200. The average increase in salary for each agent is $14,500 ($61,200 - $46,700). This legislation will result in a recurring increase in state expenditures estimated to be $388,861 [($14,500 salary + $2,407 benefits) x 23] to the FPF. There will not be an increase for any insurance costs as these are included in the $3,074,200 of expenditures currently incurred by the FIS.
- Upon becoming TBI agents, the fire investigators will become a state police officer for purposes of the Tennessee Consolidated Retirement System (TCRS).
- Tennessee Code Annotated § 8-36-205 requires mandatory retirement for state police officers.
- Tennessee Code Annotated § 8-36-211 provides that state police officers who retire under the mandatory retirement provisions shall receive a supplemental bridge benefit in addition to a retirement allowance until the first day of the month following the month in which the member reaches the age requirement for receipt of old age and survivors benefits under the federal Social Security Act.
- Further, Tenn. Code Ann. § 8-36-201 authorizes state police officers to retire with unreduced benefits at age 55 with 25 years of service.
- Based on information provided by the Tennessee Consolidated Retirement System (TCRS), the total increase of liability to the pension system relative to eligible state employees is estimated to be $466,000.
- Based on information provided by TCRS, the recurring cost associated with transferring fire investigators is $60,700.
- Retirement benefits for state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The recurring increase in state expenditures for state employees is estimated to be $45,525 ($60,700 x 75%).
- The annual increase in federal expenditures associated with such state employees is estimated to be $15,175 ($60,700 x 25%).
- The proposed legislation requires the transfer from DCI to TBI to occur by January 1, 2020. This analysis assumes the transfer will be made on January 1, 2020. As such, this analysis assumes 50 percent of the first full year impact in FY19-20 and a 100 percent impact in FY20-21 and subsequent years.
- The total increase in federal expenditures in FY19-20 is estimated to be $7,588 ($15,175 x 50%).
- The recurring increase in federal expenditures in FY20-21 and subsequent fiscal years is $15,175.

- The total increase in state expenditures to the FPF in FY19-20 is $217,193 [($388,861 + $45,525) x 50%].
- The recurring increase state expenditures to the FPF beginning in FY20-21 is estimated to be $434,386 ($388,861 + $45,525).

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumption:

- Shifting state employees from DCI to TBI will not result in a significant impact on commerce or jobs in Tennessee.

CERTIFICATION:

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

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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