

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 808 - HB 909

March 11, 2017

SUMMARY OF BILL: Enacts the *County Finance Officer Certification and Education Act of 2017*. Requires each county to employ a certified county financial officer (CCFO), certified government finance manager (CGFM), certified public finance officer (CPFO), certified public accountant (CPA) or certified municipal finance officer (CMFO). Requires the County Technical Advisory Service (CTAS) to develop a curriculum of at least 80 hours of training to establish a CCFO designation. Requires individuals designated as a CCFO, CGFM, CPFO, CPA, or CMFO to attend at least 24 hours of continuing professional education (CPE) annually and file documentation of completed CPEs with the Comptroller of the Treasury (COT).

Authorizes the COT to penalize, at the COT's discretion, any county found in noncompliance by withholding up to 15 percent of sales tax revenue distributed to the county during the fiscal year. Withheld sales tax revenue will be held in reserve until the county comes into compliance with the provisions of this bill.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$1,575,600/One-Time
\$500,000/Recurring**

Other Fiscal Impact – Upon depletion of the one-time \$1,575,600 appropriation, there will be a mandatory recurring increase in local government expenditures for training of employees estimated to exceed \$150,000 annually.*

There is a potential temporary loss of use of an unknown but significant amount of sales tax revenue for any local government entity out of compliance with this legislation.

The extent of any mandatory increase to local government expenditures for payment of employees at higher compensation rates due to professional certifications being obtained cannot be determined.

An appropriation of \$2,075,600 is included in the Governor's Recommended Budget Document for FY17-18, on page B-90, of which \$500,000 is recurring and \$1,575,600 is non-recurring.

Assumptions:

- Persons who currently have designations as a certified government finance manager (CGFM), certified public finance officer (CPFO), certified public accountant (CPA) or certified municipal finance officer (CMFO) are exempt from obtaining a CCFO designation but will be required to receive at least 24 hours of CPE each year.
- Counties are required to comply with the provisions of this legislation by either January 1, 2021, or January 1, 2022, based on gross revenues as reported in the June 30, 2016 annual financial audit report by the COT.
- The Governor's proposed budget for FY17-18, on page B-90, provides for a \$2,075,600 appropriation to CTAS to provide funds to create curriculum and implement a CCFO certification program with \$500,000 of the appropriation recurring for CTAS staff and \$1,575,600 one-time funds.
- All costs associated with creating a curriculum, producing education materials, and compensation of staff will be paid through the \$500,000 recurring appropriation to CTAS.
- According to CTAS, counties will be reimbursed for all costs associated with an employee attending training, including travel, meals, and accommodations from the \$1,575,600 one-time appropriation.
- While the precise reimbursement rate is unknown, it is reasonably estimated that costs associated with obtaining an initial CCFO designation will be \$3,000 per employee and \$900 per employee for annual CPE requirements.
- There are approximately 200 positions within county government which will require a CCFO or exempted professional designation.
- CTAS will reimburse counties for all costs until the one-time \$1,575,600 appropriation is depleted, at which point counties will be required to pay for employee training.
- Due to multiple unknown factors such as when training provided by CTAS will be available, the extent of county employees which will be required to obtain a CCFO designations annually, the extent of employees receiving CPE annually, a precise date for depletion of the one-time appropriation cannot be determined; however it is assumed the same rates for training will apply. The mandatory recurring increase in local expenditures is estimated to exceed \$150,000.
- COT will be authorized to use discretion with regards to withholding up to 15 percent of sale tax revenue from a non-compliant county. It is unknown how many counties will be determined non-compliant, if COT will opt to withhold sales tax revenue, the extent of any revenue withheld up to 15 percent, and the length of time the revenue is withheld from the county.
- To the extent a county is penalized by the withholding of sales tax revenue, the impact to the county will be significant; however due to the fact any penalized county will ultimately receive the withheld revenue once it is determined the county is in compliance, the fiscal impact to local government is considered not significant.
- It is reasonably assumed that once obtaining a professional certification as a CCFO, such employees will be paid a higher salary as a direct result of such professional certification; however the extent of any increased local government expenditures for payment of professionally certified staff is unknown.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

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

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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