TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 1115 - SB 1221

March 19, 2019

SUMMARY OF BILL: Prohibits a state governmental entity from conducting a financial audit of a business more than once in a twelve-month period unless the state governmental entity finds substantial evidence of egregious financial misconduct.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - $178,100

Decrease Local Revenue - $72,700

Assumptions:

- Based on information provided by the Department of Financial Institutions, this legislation will have no impact on the Department, as it does not conduct financial audits, but rather conducts examinations and visitations for determining the safety and soundness of financial institutions or compliance with applicable law.
- According to the Department of Commerce and Insurance, this legislation is not estimated to have a significant impact on the current operations of the Department.
- According to the Department of Revenue (DOR), it is assumed that this legislation applies to the audits performed by the Audit Division.
- Collections from the Retail Accountability Program (RAP) assessments, which are issued quarterly, total approximately $1,900,000 annually.
- It is estimated that limiting the auditing capabilities of the Audit Division will result in a 20 percent decrease in RAP collections.
- This decrease will only apply to the corporate entities audited by the Division, which make up approximately 66 percent of entities audited.
- A decrease in revenue of $250,800 ($1,900,000 x 66% x 20%), representing a decrease in state revenue of $178,116 and a decrease in local revenue of $72,684.
- According to the DOR, although this legislation will prevent quarterly audits with regards to RAP assessments, this legislation is not expected to result in any decrease in state expenditures currently incurred by its Audit Division. Moreover, this legislation will require the Audit Division to redesign the RAP assessments to align with the provisions of this legislation, and all employees dedicated to this current task would remain with the Program; therefore, this legislation is estimated to result in no significant decrease in state expenditures.

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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