

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1462 – SB 1589

January 29, 2018

SUMMARY OF BILL: Requires all State Funding Board (SFB) estimates of state revenue for the upcoming fiscal year, as well as any revisions to the current fiscal year estimates, to be adopted by a majority vote. Requires the Governor's recommended budget, beginning with the budget for FY18-19, to be based on a projected growth rate not to exceed the midpoint within the revenue range for total taxes estimated by the SFB, and to reserve 0.2 percent of the midpoint estimate for legislative priorities. Establishes that such requirements shall not apply to any fiscal year in which the midpoint within the revenue range for total taxes is 1.5 percent or less. Requires funds reserved for legislative priorities pursuant to the above requirement to be allocated one-third for appropriation amendments and two-thirds for legislation. Authorizes the General Assembly to deposit any such funds into the Reserve for Revenue Fluctuations.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Passage of this legislation will require the Governor's FY18-19 proposed budget to be reduced by \$36,291,800. In addition, \$29,154,600 of the Governor's FY18-19 proposed budget will be reserved for legislative priorities. The total reduction in the Governor's FY18-19 proposed budget will be reduced by \$65,446,400.

Any future budgetary implications cannot be reasonably determined.

Assumptions:

- Pursuant to Tenn. Code Ann. § 9-4-5202(e)(1), the SFB is required, in November of each year, to conduct public hearings to develop consensus estimates of state revenue for the upcoming fiscal year, as well as any revisions to the current fiscal year estimates. Requiring such estimates to be adopted by a majority vote of the SFB, rather than a by a consensus, will not significantly impact revenue ranges estimated by the SFB.
- The Governor's recommended budget exceeded the SFB midpoint estimate in eight of the previous nine fiscal years (FY10-11 through FY17-18). Assuming a similar trend would take place in the future years under current law, the proposed legislation would result in a reduction in the amount of revenue that the Governor's recommended budget could be based on.

- The SFB adopted a range of growth of 2.70 percent to 3.20 percent in FY18-19, with a midpoint estimate of 2.95 percent.
- The Governor's FY18-19 proposed budget is based on growth of 3.21 percent, or \$14,613,600,000.
- The FY18-19 estimate based on the SFB midpoint growth rate of 2.95 percent is \$14,577,308,200; therefore, the Governor's FY18-19 proposed budget would have to be reduced by \$36,291,800 (\$14,613,600,000 - \$14,577,308,200).
- Further, 0.2 percent of the SFB midpoint estimate would be required to be reserved for legislative priorities. Based on the SFB midpoint estimate for FY18-19, such reserved amount would equal \$29,154,616. One-third of this, or \$9,718,205, would be reserved for appropriation amendments, and two-thirds, or \$19,436,411, would be reserved for legislation.
- This legislation will not have an impact on total state or local revenue collections.

CERTIFICATION:

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



Krista M. Lee, Executive Director

/bs