

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HM 233 Federal Government Shutdown/Payment of Federal Taxes

SPONSOR(S): Local & Federal Affairs Committee; Nuñez

TIED BILLS: **IDEN./SIM. BILLS:** SM 332

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee	14 Y, 3 N, As CS	Dougherty	Rojas
2) Finance & Tax Subcommittee			

SUMMARY ANALYSIS

The federal government entered a shutdown in October 2013 due to Congress's failure to enact appropriations for fiscal year 2014. During the 16-day shutdown, most government services were reduced or discontinued, including The Head Start Program, food safety inspections, government defense contracts, imports and exports, immigration, shelter and support centers, national parks, and IRS processing. Approximately 800,000 non-exempt federal employees were furloughed but later received backpay. Essential government functions and those funded by long-term or mandatory appropriations were continued.

Recognizing the potential for another budget impasse to result in a future shutdown, supporters of this memorial believe taxpayers should not be required to pay for the services diminished or cancelled.

CS/HM 233 urges Congress to authorize a prorated reduction of federal taxes to compensate taxpayers for reduced or discontinued services during a future federal government shutdown.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

This memorial does not have a fiscal impact.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

The federal government shutdown from October 1 – 16, 2013 after a congressional budget impasse. For various political and partisan motivations, the United States House of Representatives and Senate failed to enact appropriation legislation for fiscal year 2014 or a continuing resolution to authorize interim appropriations. During the shutdown, most routine federal government functions were diminished or discontinued. These included The Head Start Program, food safety inspections, government defense contracts, imports and exports, immigration, shelter and support centers, national parks, IRS processing, and loans programs.

This had severe negative consequences on not only the national economy, but also many people and business that rely on governmental services and funding. Over 800,000 government employees were indefinitely furloughed and over 1 million others were required to work without known payment. This was the most significant federal shutdown in terms of employee furlough days: 6.6 million.¹ Despite the initial uncertainty, all of these employees eventually received backpay. Experts estimate that the total cost of pay for furloughed employees is roughly \$2 billion.² Total compensation costs, including benefits, are about 30 percent larger, in the range of \$2.5 billion.³ Other quantified effects of the furloughs include the following:⁴

- Stalling reduction of the backlog of veterans' disability claims.
- Delaying almost \$4 billion in tax refunds and delaying the start of the 2014 tax filing season by up to two weeks.
- Stopping Head Start centers from serving nearly 6,300 children for up to nine days
- Delaying home loan decisions for 8,000 rural families.
- Delaying nearly 500 food and feed FDA domestic inspections and roughly 355 food safety inspections.
- Preventing the investigation of 59 airplane accidents by the National Transportation Safety Board.
- Delaying transition and employment workshops for 1,400 military service members.
- Preventing Centers for Disease Control and Prevention (CDC) flu season surveillance and monitoring, leaving local public health authorities without access to national flu season data.
- Stopping research, with 98 percent of National Science Foundation, nearly 75 percent National Institutes of Health, and 66 percent of CDC employees furloughed.
- Stopping Environmental Protection Agency inspections at about 1,200 sites, including hazardous waste facilities, chemical facilities, and drinking water systems.

Experts estimate that the shutdown will reduce fourth quarter Gross Domestic Product growth by 0.2-0.6 percentage points, or \$2-\$6 billion in lost output.⁵ The Council of Economic Advisers estimates that the combination of the government shutdown and debt limit brinksmanship may have resulted in 120,000 fewer private-sector jobs created during the first two weeks of October.⁶

¹ Executive Office of the President, "Impacts and Costs of the October 2013 Federal Government Shutdown," November 2013, available at <http://www.whitehouse.gov/sites/default/files/omb/reports/impacts-and-costs-of-october-2013-federal-government-shutdown-report.pdf>.

² This estimate is based on average salary costs for furloughed employees by agency. It includes only costs for normal work days (excluding weekends and Columbus Day).

³ See note 1.

⁴ Id.

⁵ Id.

⁶ Council of Economic Advisers, "Economic Activity During the Government Shutdown and Debt Limit Brinksmanship," October 2013, available at http://www.whitehouse.gov/sites/default/files/docs/weekly_indicators_report_final.pdf.

Essential government functions, such as air traffic control and emergency services, were continued under emergency funding statutes. Agencies funded by long-term or mandatory appropriations, such as mail delivery and social security benefits, continued their services.

Effect of Proposed Changes

CS/HM 233 urges Congress to authorize prorated payment reduction of federal taxes to compensate for diminished or discontinued services during a future federal government shutdown resulting from congressional inability to fund such services.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law—they are mechanisms for formally petitioning the U.S. Congress to act on a particular subject. This memorial does not have a fiscal impact.

B. SECTION DIRECTORY:

Not applicable.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 6, 2014, the Local & Federal Affairs Committee adopted an amendment, which clarifies that the encouraged proration of taxes only applies to any future shutdowns and corrects some factual information provided in the Whereas Clauses.

This analysis is drafted to reflect the Committee Substitute.