

STORAGE NAME: h3447s1.cjc

DATE: April 3, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON**

BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: CS/HB 3447

RELATING TO: Limitation on State Revenues

SPONSOR(S): Representative Wallace

COMPANION BILL(S): SB 1892 by Senator Crist

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) CIVIL JUSTICE & CLAIMS YEAS 4 NAYS 3
 - (2) GOVERNMENT RULES & REGULATION
 - (3) FINANCE & TAXATION
 - (4) GENERAL GOVERNMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

This joint resolution proposes an amendment to Article VII, section 1 (e) of the Florida Constitution which would change the basis of calculation of the growth adjustment to the constitutional limitation on state revenue collections. Specifically, the proposal would provide that Florida median household income rather than Florida personal income would be used for the revenue limitation calculation. The proposal also deletes language allowing for an accumulation of the unused revenue limit under the cap from one year to the next.

The proposal would have a significant fiscal effect.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

In 1994 Article VII, section 1 (e) of the Florida Constitution, which provides for a limitation on state revenue collection, was adopted. Subsection (e) of this constitutional provision limits state revenues collected for any fiscal year to those revenues constitutionally permitted plus an adjustment for growth. "Growth" is defined as "...an amount equal to the average annual rate of growth in Florida personal income over the most recent twenty quarters times the state revenues allowed under this subsection for the prior fiscal year." The current revenue limit based on personal income growth reflects three factors: 1) inflation; 2) improvements in labor productivity; and, 3) population growth. The growth rate permitted under the current constitutional provision is applied to the previous year's revenue limit, without respect to whether the limit was reached by actual revenue collections. This means that the unused capacity under the cap accumulates from one year to the next year.

B. EFFECT OF PROPOSED CHANGES:

HJR 3447 proposes that the state revenue limitation be based upon Florida median household income rather than Florida personal income. Median household income grows because of two factors: 1) inflation; and, 2) improvements in labor productivity. Growth in median household income would not consider population growth, and the result will be a lower revenue limit. Additionally, HJR 3447 will delete the accumulative effect of the calculation of the state revenue limit by basing the limit on the amount of revenues actually collected. This provision would also result in a lowering of the state revenue collection limitation. Using calculations provided by the Legislature's Economic and Demographic Research Office, the following comparative projections for the space under the revenue cap would be applicable for fiscal years 1995-1996 through 2002-2003:

Space under the Cap

If the alternatives had been in place from the beginning:

	Current Law	HJR 3447	Change Base Period Only	Change to Median Household Income Only
95-96	494.7	(185.1)	494.7	(185.1)
96-97	216.5	(994.1)	(307.2)	(1,183.6)
97-98	206.4	(824.2)	(23.1)	(2,033.9)
98-99	886.7	(243.4)	667.0	(2,325.7)

If the alternatives are implemented beginning with the FY 99-00 budget based on the trend forecast of revenues:

99-00	1,460.04	(262.7)	519.8	647.9
00-01	1,953.2	(527.5)	402.3	135.5
01-02	2,532.2	(486.8)	463.5	(348.5)
02-03	3,049.6	(564.0)	373.2	(919.8)

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No

- b. Does the bill require or authorize an increase in any fees?

No

- c. Does the bill reduce total taxes, both rates and revenues?

If approved by the electorate the bill would have an effect of lowering the constitutional revenue limit.

- d. Does the bill reduce total fees, both rates and revenues?

Yes.

- e. Does the bill authorize any fee or tax increase by any local government?

No

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Article VII, section 1, Florida Constitution.

E. SECTION-BY-SECTION RESEARCH:

See Section II, B, above.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

If approved by the electorate, the proposal would have a continuing effect of lowering the limitation on state revenue collections.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

See section II, B, above.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

None.

AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Civil Justice and Claims, at its March 19, 1998 meeting, adopted one amendment and made the bill a committee substitute. Current law calls for the calculation of growth "over the most recent twenty quarters." According to the office of Economic and Demographic Research this was done because quarterly data exist for Florida personal income and provides the most up-to-date calculation. Quarterly data are unavailable for median household income. Such data are prepared exclusively on an annual basis so that data do not exist, even in unpublished form. The language: "over the most recent twenty quarters" was amended to read "over the most recent five years."

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VI. SIGNATURES:

COMMITTEE ON : Civil Justice and Claims
Prepared by:

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