STORAGE NAME: h0729a.grr
DATE: April 15, 1997

HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL RULES AND REGULATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 729

RELATING TO: Taxpayer Protection Act/Local Governments

SPONSOR(S): Representative Wallace and others

STATUTE(S) AFFECTED: s. 11.077, F.S.

COMPANION BILL(S): SB 1878 (I)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) GOVERNMENTAL RULES AND REGULATIONS YEAS 5 NAYS 0
(2) COMMUNITY AFFAIRS
(3)
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(5)

I. SUMMARY:

Analysis of bills introduced into the Legislature includes researching the short and long term fiscal impacts of such legislation on local governments. Staff research does not include research on the specific impact of legislation on the personnel costs of local governments.

HB 729 provides that the Legislature is to have an economic impact statement (EIS) prepared by an enrolled actuary. This actuarial study would examine the impact on the personnel costs of local governments. This study would provide an estimate of:
1. the costs to local governments of implementing the legislation, with specific calculations for the five largest cities and counties;
2. the economic benefit to all persons directly affected by the legislation;
3. the impact on competition and the open market for employment, if applicable;
4. the probable costs and benefits of adopting the legislation compared to the probable costs and benefits of not adopting the legislation; and
5. provide a detailed statement of the EIS data and methodology.

HB 729 would apply to any general law that becomes effective after January 1, 1998. The bill also provides that any legislation increasing local government personnel costs and effecting personnel covered by a collective bargaining agreement would not become effective until it is agreed to in collective bargaining and is ratified by both parties.

A strike-everything amendment was adopted which provides that legislative staff is to conduct the fiscal analysis, that certain additional information from local governments is to be included in the analysis when it is found that the fiscal impact is indeterminable or unknown, and that the fiscal analysis is to note whether the proposed legislation is in compliance with s. 14, Art. X, Fla. Const. The presentation of the analysis is to occur 5 days prior to the first committee hearing on the bill, and in its final form, 5 days prior to passage. See amendment section of this bill research for details.

HB 729 would take effect upon becoming law.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Section 11.075, F.S. (1995) requires the Legislature to consider the economic impact general and special legislation will have upon the public and governmental agencies assigned to implementing and enforcing such legislation. Section 11.076 F.S. (1995) requires that the Legislature consider, among other things, the economic impact of general legislation on local governments.

In implementing these statutory sections, House staff examines a bill for its effect on local government finances by applying the principles articulated in the Speaker's Memorandum of January 27, 1997. In applying the principles, House fiscal committee staff analyzes legislation for, among other things, recurring and non-recurring impacts on local government revenues and expenditures. This analysis focuses on the short term impact legislation may have on local government expenditures or revenues.

Additionally, House staff examines legislation for potential mandates upon local governments under the provisions of s. 18, Art. VII, Fla. Const. Bill analysis done in accordance with the provisions of s. 18, Art. VII, Fla. Const., looks at the long term effects of legislation has on local governments. Generally, this analysis looks to determine if local governments, in the aggregate, are required to expend funds over a ten year period and if so, then funds must be provided for implementing legislation. Specifically, if legislation requires local governments to, in the aggregate, expend funds or to take action requiring expenditures in an amount over $1.4 million per year, reduces the authority of local governments to raise raises revenues in the aggregate as such authority existed on February 1, 1989, or reduces the percentage of a state tax shared with local governments as an aggregate on February 1, 1989, then it is considered a mandate upon the local governments. Such a mandate must be funded by the Legislature unless the legislation creating the mandate qualifies under an exemption or is excepted from the Constitutional restrictions.

However, bill research prepared by House staff does not include a specific analysis of the potential impacts on local government personnel costs, including salaries, wages, and benefits. Moreover, legislative fiscal analysis does not include an actuarial study of the impact legislation may have on local government personnel costs

The cost of producing an actuarial study depends on the number of employees covered by the benefits plan to be studied. The table below lays out the costs of an relatively simple actuarial study of a local government's employee benefits plan, relative to the number of employees covered by the plan:

Employees Covered	Range of Costs of an Actuarial Study
less than 20	$2500 - 3000
21 - 100	$5000 - 6000
over 100	$25,000 - 30,000

B. EFFECT OF PROPOSED CHANGES:

HB 729 would create s. 11.077, F.S., the Taxpayer Protection Act. This section would provide that an enrolled actuary would prepare an economic impact statement for each bill. This study would estimate the total costs in personnel wages, salaries, and benefits to each local government impacted by proposed legislation to implement such legislation. This statement must include:

1. An estimate of the cost to local governments of implementing the legislation. Additionally, the statement must include separate calculations of the total costs of such legislation as it applies to each of the five largest cities, five largest counties, or both, according to the latest official census, if such legislation is applicable to those local governments;

2. An estimate of the costs of the economic benefit to all person directly affected by the proposed legislation;

3. An estimate of the impact of the proposed legislation on competition and the open market for employment, if applicable;

4. A comparison of the probable costs and benefits of adopting the proposed legislation to the probable costs and benefits of not adopting the legislation; and

5. A detailed statement of the data and methodology used in making the estimates described in the Economic Impact Statement.

Additionally, HB 729 would require that any general law that becomes effective after January 1, 1998, which potentially increases local government personnel costs must provide a means to finance the costs of implementation.

HB 729 would also require that any provision of general legislation that would increase local government personnel costs and would have an effect on a group of employees covered by a collective bargaiing agreement would not become effective until it is agreed to in collective bargaining and is ratified by both parties. The collective bargaining procedure is controlled by ch. 447, F.S.

This bill would take effect upon becoming law.

Finally, the costs are indeterminate but would have a negative impact on the Legislature's budget. Expenditure levels would depend on the number of studies commissioned and the complexity of such studies.

C. APPLICATION OF PRINCIPLES:

1. <u>Less Government:</u>

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

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

No.

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

Yes - The Legislature will be required to conduct additional analysis, on an actuarial basis, to determine impacts on local government personnel costs.

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

No.

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. <u>Lower Taxes:</u>

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?

No.

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

No.

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?

No.

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

No.

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. SECTION-BY-SECTION RESEARCH:

III. <u>FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

   None.

2. Recurring Effects:

   Potential increase in expenditures in the Legislature's budget for costs associated with the additional analysis of proposed legislation by enrolled actuaries, either through additional Legislative staff or contracting for services from private enrolled actuaries.

3. Long Run Effects Other Than Normal Growth:

   None.

4. Total Revenues and Expenditures:

   Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

   None.

2. Recurring Effects:

   None.

3. Long Run Effects Other Than Normal Growth:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   None.

2. Direct Private Sector Benefits:

   If the Legislature considers contracting for the provision of actuarial studies, then private enrolled actuaries shall have the opportunity to contract with the Legislature to conduct the actuarial studies required by the bill.

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

   None.

D. FISCAL COMMENTS:

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

A. APPLICABILITY OF THE MANDATES PROVISION:

   This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

   The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

   This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

A strike-everything amendment was adopted that does the following:

1. Legislative staff, with the support of Department of Insurance, Department of Management Services, Division of Retirement, and other departments, is to do the fiscal analysis (instead of an enrolled actuary).

2. The Economic Impact Statement (EIS) now is to include:

   a An estimate of the cost to local governments of implementing the legislation. Additionally, the statement must include separate calculations of the total costs of such legislation as it applies to each of the five largest cities, five largest counties, or both, according to the latest official census, if such legislation is applicable to those local governments;

   b An estimate of the impact of the proposed legislation on competition and the open market for employment, if applicable;

c. A comparison of the probable costs and benefits of adopting the proposed legislation to the probable costs and benefits of not adopting the legislation; and

d. A detailed statement of the data and methodology used in making the estimates described in the Economic Impact Statement.

e. Where the amendment requires that where the fiscal impact of the bill is indeterminable or unknown, then it must be noted in EIS and:

1. a good faith estimate of the range of potential impact must be noted;
2. Legislative staff must, within 5 days, notify cities and counties affected by the proposed legislation;
3. those cities and counties then have 5 days to notify the Legislature of their own estimates of the costs; and
4. this city/county information is included in EIS.

f. The amendment ties this fiscal review into the requirements under s. 14, Art. X, Fla. Const., which controls provisions relating to changes in the state retirement system.

g. Finally, it requires the review to discuss potential options for the means to finance the potential increase

3. The EIS must be presented in committee 5 days prior to the first committee hearing on the bill and in its updated and amended final form 5 days prior to passage.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL RULES AND REGULATIONS:

Prepared by:	Legislative Research Director:
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