

STORAGE NAME: h1089a.fpr.doc
DATE: February 12, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FISCAL POLICY & RESOURCES
ANALYSIS**

BILL #: HB 1089

RELATING TO: Office of Program Policy Analysis and Government Accountability

SPONSOR(S): Representative(s) Wallace

TIED BILL(S):

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

- (1) FISCAL POLICY AND RESOURCES YEAS 11 NAYS 0
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill creates the "Government Yard Stick Act." This bill requires the Office of Program Policy Analysis and Government Accountability (OPPAGA) to report specific economic indicators to the Legislature each year for purposes of determining the size and impact of the government sector in the state.

On February 12, 2002, the committee on Fiscal Policy and Resources adopted one amendment. This amendment adds to the list of required statistics, to be computed by OPPAGA, a comparison of Florida's governmental expenditures in relation to the other 49 states.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The use of economic variables is a valuable tool for policy makers in determining how fiscal policy should be implemented in the State of Florida. Variables such as employment, consumption, production and retail sales, help policy makers understand the health of the State's economy. These variables in and of themselves only give fragmented clues as to how the economy will evolve.

The most significant variable used to determine the health of the economy is Gross State Product (GSP). GSP is defined as the market value added in production by the labor and property located in the state. GSP is calculated and reported by the Bureau of Economic Analysis (BEA - U.S. Department of Commerce). This variable is the broadest measure of economic activity in the state, and virtually all other variables provide information about GSP.

There are approximately 76 industries that make up GSP (e.g., agriculture, manufacturing, real estate, and transportation). In 1999, GSP was \$442.9 billion. State and local government expenditure was 9 percent (\$40.0 billion) of this total.

There are several potential problems associated with the state and local government expenditure series as reported by the BEA. First, the measurement of state and local government only comprises of employee compensation and capital depreciation. Second, state and local government expenditure is reported as one series. Therefore, it is difficult to back-out state appropriations and local government expenditures.

C. EFFECT OF PROPOSED CHANGES:

See Section-By-Section Analysis

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Designates the bill as the "Government Yardstick Act."

Section 2. Requires OPPAGA to file by January 1, to the Senate President and the Speaker of the House of Representatives, a report that determines the size and impact of the government sector in the state.

The report will specifically examine spending by state and local governments as percentage of state domestic product. The report will estimate the cost of compliance with regulations of the state and local governments as a percentage of state domestic product.

Other topics that will be covered in the report shall include the determination of; total state and local government employment; total state assets; and, total state liabilities.

The bill directs OPPAGA to establish a methodology that is cost-effective.

III. 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.

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 expenditure of funds.

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B. REDUCTION OF REVENUE RAISING AUTHORITY:

This 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:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On February 12, 2002, the committee on Fiscal Policy and Resources adopted one amendment. This amendment adds to the list of required statistics, to be computed by OPPAGA, a comparison of Florida's governmental expenditures in relation to the other 49 states.

VII. SIGNATURES:

COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:

Staff Director:

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