

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 121

Economic and Demographic Research

**SPONSOR(S):** Poppell

**TIED BILLS:**

**IDEN./SIM. BILLS:**

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	<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1)	Finance & Tax Council		Aldridge	Langston
2)	Full Appropriations Council on Education & Economic Development			
3)	Policy Council			
4)	Rules & Calendar Council			
5)				

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**SUMMARY ANALYSIS**

This bill requires the Office of Economic and Demographic Research to perform a longitudinal analysis of the economic impact of legislation that amends provisions of state law that relate to taxation. Findings of this analysis are to be released in three annual reports as follows:

1. The first report is due to the President of the Senate and the Speaker of the House of Representatives by September 1 of the year in which the legislation is enacted. This report will include an assessment of the likely economic impact of the legislation and a listing of the analytical measures to be used.
2. Additional annual reports will address any changes in the measures detected over the prior year and will provide an assessment of any deviations from the likely economic impact previously identified.
3. The final report will include an in-depth comparison of the predictions contained within the cost-benefit analysis conducted prior to the policy decision with the actual results after implementation.

This bill also requires the Office of Economic and Demographic Research to develop protocols and procedures for the consistent development of cost-benefit and return-on-investment techniques and their application to issues for consideration of special impact by Revenue Estimating Conferences. These protocols and procedures recommendations will be provided to the President of the Senate and the Speaker of the House of Representatives by December 1, 2010.

The bill will likely require additional state government expenditures. The amount is not known at this time.

The bill will take effect upon becoming a law.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### CURRENT LAW

Chapter 216, Florida Statutes, establishes the planning and budgeting laws for the fiscal affairs of the state. These laws provide guidelines to the Legislature, the Governor's Office, state agencies, and the judicial branch in order to properly develop legislative budgets and administer the general appropriations act. An essential support for the state's planning and budgeting functions is the use of the consensus estimating conferences. Sections 216.133-216.137, F.S., provide statutory authority for the consensus estimating conference process.

These conferences consist of various principals and participants. The principals of each conference include professional staff of the Governor's Office, the coordinator of the Office of Economic and Demographic Research, professional staff of the Senate designated by the President of the Senate, and professional staff of the House of Representatives designated by the Speaker of the House of Representatives. Participants may be requested to generate alternative forecasts and provide additional information for the conference. The conference principals consider information provided by participants in the development of its "official information."<sup>1</sup> All the conferences are open, public meetings.

The principals can call conferences and are generally responsible for developing and adopting consensus forecasts. Section 216.133(3), F.S., defines "consensus" as "the unanimous consent of all of the principals." All of the principals must agree on the forecasts before they are finalized. All state agencies and the judicial branch must use the official results of the conference in carrying out their duties under the state planning and budgeting system; however, the Legislature is not bound to use the official consensus forecasts. Nevertheless, the Florida Legislature has consistently used the results of these conferences in its official duties.<sup>2</sup>

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<sup>1</sup> Section 216.133, F.S., defines "Official information" as data, forecasts, estimates, analyses, studies, and other information which the principals of a consensus estimating conference unanimously adopt for the purpose of the state planning and budgeting system.

<sup>2</sup> Further information on the consensus forecasting process can be found on the Office of Economic and Demographic Research website. <http://edr.state.fl.us/conferences/confprocess.pdf> (last visited Jan. 11, 2010)

The principals generally meet in a series of regularly scheduled conference sessions. Section 216.136, F.S., establishes 10 consensus estimating conferences:

1. Economic Estimating Conference
2. Demographic Estimating Conference
3. Revenue Estimating Conference
4. Education Estimating Conference
5. Criminal Justice Estimating Conference
6. Social Services Estimating Conference
7. Workforce Estimating Conference
8. Early Learning Programming Estimating Conference
9. Self-Insurance Estimating Conference
10. Florida Retirement System Actuarial Assumption Conference

These conferences develop official estimates of revenues, expenditures, and various other impacts related to budgeting and taxation. Each estimate considers a baseline forecast and an assumption that “current law, current administration”<sup>3</sup> remains in effect for the duration of the forecast period unless otherwise provided by law or decided by unanimous agreement of the principals. A conference session may be convened at the call of any principle to review and reconsider any official information of the conference that a principle feels is no longer valid. Additionally, section 216.137(1)(d), F.S., allows any principle to call a special impact session of the conference to develop official information that reflects the impact of proposed law changes related to a conference’s subject area.

The Revenue Estimating Conference meets throughout the year to update estimates of various revenue sources. This conference also meets several times before, during, and after legislative sessions to estimate the anticipated state and local government revenue impacts of proposed or current law changes. Many of these impacts are analyzed by the conference numerous times before a final estimate is adopted. In 2009, the Revenue Estimating Conference completed 343 analyses: 240 (70%) analyses during the 60 day session with 140 (41%) analyses in the final 30 days.

## **PROPOSED CHANGES**

This bill requires the Office of Economic and Demographic Research to perform a longitudinal analysis of the economic impact of legislation that amends provisions of state law that relate to taxation. Findings of this analysis are to be released in three annual reports as follows:

1. The first report is due to the President of the Senate and the Speaker of the House of Representatives by September 1 of the year in which the legislation is enacted. This report will include an assessment of the likely economic impact of the legislation and a listing of the analytical measures to be used.
2. Additional annual reports will address any changes in the measures detected over the prior year and will provide an assessment of any deviations from the likely economic impact previously identified.
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This bill also requires the Office of Economic and Demographic Research to develop protocols and procedures for the consistent development of cost-benefit and return-on-investment techniques and their application to issues for consideration of special impact by Revenue Estimating Conferences. These protocols and procedures recommendations will be provided to the President of the Senate and the Speaker of the House of Representatives by December 1, 2010.

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<sup>3</sup> Section 216.134(1), F.S.

**B. SECTION DIRECTORY:**

**Section 1:** By law, requires the Office of Economic and Demographic Research to perform a longitudinal analysis of the economic impact of legislation that amends provisions of state law that relate to taxation.

**Section 2:** By law, requires the Office of Economic and Demographic Research to develop protocols and procedures for the consistent development of cost-benefit and return-on-investment techniques and their application to issues for consideration of special impact by Revenue Estimating Conferences.

**Section 3:** Provides that the bill will take effect upon becoming a law.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

See FISCAL COMMENTS below.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

The bill will likely create the need for additional staffing, hardware, software and data resources for the Office of Economic and Demographic Research. The cost is not known at this time. It will depend in part on the protocols and procedures developed for the expanded analysis process.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

**B. RULE-MAKING AUTHORITY:**

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

**IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**