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OLR Research Report

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LEGISLATIVE ECONOMIC IMPACT STATEMENTS

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You asked which state legislatures require an economic impact statement for proposed legislation and whether law, a legislative rule, or custom requires it.

SUMMARY

Legislative rules in Florida and Louisiana require economic impact statements on proposed legislation. In Texas, the law requires an economic impact statement when the Senate president or House speaker requests one; and, in addition, the Senate rules require different other impact statements where appropriate.

In 1999, Ohio's General Assembly had a one-year pilot program, which was not extended permanently, that required its budget office to provide on a limited basis economic impact statements for bills from certain committees. Recently, Pennsylvania and Wisconsin legislatures have considered proposals to institute economic impact statements, but they have not passed. In Missouri, fiscal notes include information on the impact on small businesses. In a few other states, proposed regulations include an economic impact analysis.

The states were identified for this report based on searches of Westlaw and the National Conference of State Legislatures Rules and Procedures database.

FLORIDA

Florida House of Representatives Rule No. 80 (copy attached) refers to the "bill research and economic impact statement" that must accompany bills. Florida statutes require the governor to include for the appropriate committees an economic impact statement and staff analyses and support materials when he submits his recommended budget and revenue proposals to the legislature (Fl. Stat. Ann. §§ 216. 164 and 216. 166).

LOUISIANA

House Rule No. 7. 17 (copy attached) allows a member who sponsors a bill with a fiscal impact of $ 5 million or more that creates or repeals a specific program to encourage or discourage economic activity in a specific business or industry to request an economic impact statement from the Legislative Fiscal Office.

The impact statement, which must be "factual, brief, and concise," must contain:

- An estimate of the proposed change in economic activity (i. e. , income and employment) in the state

- The effects of the proposal on existing business or industrial entities

- An estimate of the total employment and income resulting from a business if the proposal is intended to induce a new business or industry to locate in the state

- A brief statement of assumptions and data sources used to prepare the estimates or the reasons if no specific estimates are possible.

OHIO

In 1999, the Ohio General Assembly created a one-year pilot program that required the Legislative Budget Office (LBO) (since incorporated into the Legislative Service Commission) to provide, as part of its fiscal notes for certain legislation, information regarding the potential significant economic impact on the state's businesses. In the pilot program, the House speaker and Senate president each designated three committees to participate. The committee chairmen, after consulting with the ranking members, could request the LBO to prepare an economic impact analysis for up to three bills or resolutions during the program. The LBO had one week to determine whether the legislation was likely to have a significant impact, and if so, had 45 days more to prepare the economic impact analysis as part of the fiscal note.

The act included a pilot program that required the Ohio Environmental Protection Agency and Department of Development to analyze the potential economic impact of proposed rules on Ohio businesses (Final Analysis of H. R. 13).

The legislature did not continue or make the pilot program permanent, according to staff in the Legislative Services Commission. The LBO continues to prepare fiscal notes, but not the economic impact statements.

TEXAS

Texas law requires a state agency to prepare an economic impact statement for any pending bill or resolution affecting the agency, upon the request of the lieutenant governor or House speaker (Tex. Code Ann. § 315. 004). In addition to a description of the proposal, the statement must include the manner and extent to which it will directly or indirectly affect in the next two years:

- Employment and unemployment in the state, with affected geographic areas
- Construction, alteration, or utilization of assets, structures, equipment, and processes
- The costs of goods and services
- State and local government revenues and expenditures
- Other economic impacts
- An explanation of the omission of any of the above.

A Texas Senate rule (No. 7. 09, copy attached) requires the following other types of impact statements, but does not specify the economic impact statement already required by law: (1) fiscal implications and the cost to the state or effects of a tax or fee, (2) impact on individuals and businesses, (3) impact on units of local government, (4) an actuarial impact statement on legislation that would affect a public retirement system, (5) a criminal justice policy impact statement detailing the impact on state corrections agencies, (6) an equalized education funding impact statement, (7) a higher education impact statement, and (8) an open government impact statement.

OTHERS

A 1997 Pennsylvania Senate bill (No. 916, copy attached), which did not pass, would have required the commonwealth's Department of Community and Economic Development to prepare an economic impact statement for proposed legislation when a state official or legislator asked for one.

A similar, but more restrictive, proposal died in the Wisconsin Senate in the last session (2003) (Assembly Bill 81, copy attached). The bill would have permitted each majority and minority leader to request an economic impact statement on one bill or proposed rule each year. The state's Department of Administration would assign the appropriate agency to prepare the statement, required before a hearing on the bill or rule.

Missouri law requires the fiscal note on bills to include whether or not proposed legislation will have an economic impact on small businesses only (Mo. Rev. Stat. Ch. 23, § 23. 140). Several states, including Hawaii, Montana, and Virginia, require an economic impact analysis for proposed agency regulations.

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