HB 989

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 989 (Delegate McKay, *et al.*)
Rules and Executive Nominations

State Government - Legislation Impacting Local Government Land Use Decisions - Economic Impact Analyses

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This bill requires the Department of Legislative Services (DLS) to prepare an economic impact analysis for each bill introduced by a member of the General Assembly that impacts local government land use decisions. It also requires the appropriate Executive Branch agency to prepare an economic impact analysis for any bill introduced at the request of the Administration or an Executive Branch agency or commission that impacts local government land use decisions.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund expenditures by DLS increase by $303,600 in FY 2016 to conduct the required economic impact analyses. Out-year expenditures reflect annualization and inflation. State expenditures (all funds) by Executive Branch agencies that request legislation that affects land use decisions likely increase to contract with economic consulting firms to conduct the analyses; each such analysis is estimated to cost at least $50,000. No effect on revenues.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	$0	$0	$0	$0	$0
GF Expenditure	303,600	389,500	407,200	425,800	445,300
GF/SF/FF Exp.	-	-	-	-	-
Net Effect	($303,600)	($389,500)	($407,200)	($425,800)	($445,300)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Minimal. Local governments can likely provide necessary data for economic impact analyses with existing resources.

Small Business Effect: None.

Analysis

Bill Summary: An "economic impact analysis" means an estimate of the cost or the economic benefit to residents and businesses that may be affected by a proposed bill introduced at a session of the General Assembly. It must include, at a minimum, the effect of the bill on property values and taxation.

If prepared by an Executive Branch agency, the economic impact analysis must be submitted by the Governor's Office to DLS within a reasonable timeframe before the hearing on the bill to allow DLS to comment on it. It must also be submitted to the committee that is hearing the bill. If prepared by DLS, the economic impact analysis must be delivered to the primary sponsor and, before the hearing, to the committee that is hearing the bill. Either DLS or an agency preparing an analysis must consult, as appropriate, with other units of State government, units of local government, and other stakeholders.

At the request of the Executive Director of Legislative Services, a unit of State or local government must provide assistance or information in the preparation of an economic impact analysis. DLS may include an economic impact analysis as part of a fiscal and policy note, and may comment on an analysis prepared by an Executive Branch Agency. Economic impact analyses may be revised consistent with amendments to the bill, must be maintained on the General Assembly's website, and need not be published in the Senate or House journals.

The validity of an enactment of a bill is not affected by the presence, absence, or content of an economic impact analysis.

Current Law: In general, a committee may not vote on a bill unless a fiscal and policy note prepared by DLS accompanies the bill and, if the bill affects the funding of a State pension system, an actuarial analysis of the bill. A committee chairman may waive the requirement for a fiscal and policy note if prompt committee action is needed. Fiscal and policy notes must be delivered to the committee that is hearing a bill and to the bill's primary sponsor. A unit of State or local government must provide information requested by DLS for the preparation of a fiscal and policy note.

A fiscal and policy note must contain an estimate of the bill's fiscal effect on revenues and expenditures of the State and of local governments during the year in which the bill becomes effective and the next four years. If the bill's effect is not expected to occur during those years, it must describe the effect in the first year during which the effect is to occur. The fiscal and policy note must also indicate if a bill includes a mandated appropriation or a mandate on a unit of local government including, if applicable and if the data is available, the effect on local property tax rates.

An "economic impact analysis" is defined as an estimate of the cost or the economic benefit to small businesses that may be affected by a proposed bill. An "economic impact analysis rating" consists of an estimate of whether a proposed bill has (1) minimal or no economic impact on small businesses, as defined in statute or (2) meaningful economic impact on small businesses. Executive Branch agencies prepare economic impact analyses and ratings for bills introduced by the Administration or by Executive Branch agencies; DLS prepares both an analysis and rating, as appropriate, for bills introduced by members of the General Assembly.

Background: During each legislative session, DLS prepares more than 2,000 fiscal and policy notes for first reader versions of bills introduced. Each fiscal and policy note analyst prepares an average of about 150 first reader fiscal and policy notes during the first nine weeks of the legislative session, or about 17 analyses per week; individual analyst loads often exceed these averages, depending on the subject matter of bills introduced during session. In addition, fiscal and policy note analysts prepare revised fiscal and policy notes for every bill that passes the house of origin with amendments.

State Expenditures: The economic impact analyses required by the bill represent a significant addition to the scope and content of fiscal and policy notes prepared by DLS. They are substantially more demanding than the small business economic impact analyses that are currently required, which typically require only a rating and brief summary of the likely effect. Instead, the impact statements required by the bill require a rigorous economic analysis and calculation of the effect on property values and tax rates in affected jurisdictions. The Maryland Department of Planning (MDP) advises that the bill likely has broad application, including bills related to zoning and planning, growth management, economic development, infrastructure financing, environmental protection, and natural resource conservation because such legislation may result in land use actions by local governments.

DLS advises that the analyses required by the bill are likely not feasible within the timeframe of a 90-day legislative session and likely disrupt and delay the delivery of a substantial number of fiscal and policy notes in a timely fashion due to the diversion of staff resources. Such analyses are typically reserved for legislative interims, when DLS staff have more time to carry out rigorous analyses. For instance, the economic impact analyses of the Film Production Activity Tax Credit and a proposed minimum wage increase were both conducted during the legislative interim; both involved two to three analysts and took several months to complete. To the extent that the bill mandates such analyses, however, they exceed the current scope of fiscal and policy notes and the level of expertise and training of most current fiscal and policy note analysts.

Therefore, general fund expenditures by DLS increase by $303,570 in fiscal 2016, which accounts for a 90-day start-up delay from the bill's effective date of July 1, 2015. This estimate reflects the cost of hiring one senior economist to supervise the preparation of economic impact analyses and three economists to conduct the analyses. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	$278,075
Operating Expenses	25,495
Total FY 2016 DLS Expenditures	**$303,570**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

State expenditures (all funds) by Executive Branch agencies that request the introduction of legislation affecting land use decisions likely also increase to contract with economic consulting firms to conduct the mandated analyses, as most agencies lack the expertise to conduct the analyses themselves. The cost of a single analysis is estimated to be at least $50,000. In addition, to the extent MDP is asked to assist other State agencies in conducting the required analyses for their bills, additional staff and consultant services are likely needed.

Additional Information

Prior Introductions: None.

Cross File: SB 713 (Senators Edwards and Serafini) - Rules.

Information Source(s): cities of Bowie and Takoma Park, Baltimore City, Maryland Department of Agriculture, Department of Business and Economic Development, Department of Natural Resources, Maryland Department of Planning, Maryland Department of the Environment, Governor's Office, Department of General Services, Department of Housing and Community Development, Maryland State Lottery and Gaming Control Agency, Maryland Energy Administration, University System of Maryland, Department of Public Safety and Correctional Services, Montgomery County, Department of Legislative Services

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