

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Commerce and Tourism

BILL: SM 1658

INTRODUCER: Senator Farmer

SUBJECT: Income Inequality

DATE: February 5, 2018

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Denton	McKay	CM	Pre-meeting
2.			RC	

I. Summary:

SM 1658 requests Congress to adopt budgetary and other measures to reduce income inequality. These requests include measures to:

- Modernize and reform personal and corporate income taxes;
- Increase the minimum wage to represent a living wage;
- Adequately fund essential federal government responsibilities identified by the memorial;
- Increase funding to programs that support the unemployed and others in need;
- Increase funding to various education programs and public schools;
- Enact strong legislation to contain health care costs;
- Increase funding to repair and enhance the infrastructure of the United States;
- Adequately fund federal agencies to ensure effective regulation of financial institutions and investment firms; and
- Appoint a special study commission to examine the adequacy of consumer protection.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law, as they are mechanisms for formally petitioning the federal government to act on a particular subject.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress upon passage.

II. Present Situation:

United States Economy

The United States economy is the largest in the world with a gross domestic product (GDP) of 18.6 trillion dollars.¹ Despite a dip after the Great Recession, the United States' GDP is on a steady upward trajectory.² In recent years, “the median household income was \$59,039 in 2016, an increase in real terms of 3.2 percent from the 2015 median of \$57,230” which represents the “second consecutive annual increase in median household income.”³ When averaged across all households, income is even higher at \$79,663 in 2016;⁴ in comparison, the mean household income was \$65,527 in 2006.⁵

Wealth Disparity

The most recent Federal Reserve Study of Consumer Finances found that in 2016 the top 1 percent of income earners controlled 38.3 percent of the total wealth, while in 1986 the top 1 percent only controlled approximately 30 percent. In 1989, the bottom 90 percent controlled approximately 34 percent of total wealth; in 2016, that number has dropped to 22.8 percent.⁶ If the share of income going to the bottom 90 percent had not changed since 1989, the “income for the typical household would [be] 18 percent higher, or about \$9,000 per year.”⁷

The Gini index, a statistical measure of income inequality that ranges from 0 (perfect equality) to 1 (complete inequality), has steadily increased from 0.362 in 1967 to a peak of 0.482 in 2013 before dipping slightly to the most recent 0.481 in 2016.⁸ Another way to measure income dispersion is the equivalence-adjusted income estimate, which not only measures income but also takes into account the number of people living in a household and adjusts for economies of scale. According to the US Census Bureau, “for both 2015 and 2016, the Gini index was lower when based on an equivalence adjusted income estimate than on the traditional money-income estimate, suggesting a more equal income distribution.”⁹

¹ The World Bank, *GDP Ranking*, <http://databank.worldbank.org/data/download/GDP.pdf> (last visited Feb. 5, 2018)

² The World Bank, *United States*, <https://data.worldbank.org/country/united-states> (last visited Feb. 5, 2018)

³ United States Census Bureau, *Income and Poverty in the United States: 2016*, <https://www.census.gov/content/dam/Census/library/publications/2017/demo/P60-259.pdf> (last visited Feb. 5, 2018)

⁴ United States Census Bureau, *American Fact Finder*, 2012-2016 American Community Survey 5-Year Estimates, https://factfinder.census.gov/bkmk/table/1.0/en/ACS/16_5YR/S1902 (last visited Feb. 5, 2018)

⁵ United States Census Bureau, *American Fact Finder*, 2012-2016 American Community Survey 5-Year Estimates, https://factfinder.census.gov/bkmk/table/1.0/en/ACS/06_EST/S1902 (last visited Feb. 5, 2018)

⁶ Board of Governors of the Federal Reserve System, “Changes in U.S. Family Finances from 2013 to 2016; Evidence from the Survey of Consumer Finances,” *Federal Reserve Bulletin*, Vol. 103, No. 3, (September 2017), page 11, *accessible at* <https://www.federalreserve.gov/publications/files/scf17.pdf> (last visited Feb. 5, 2018)

⁷ Jason Furman, “Structural Challenges and Opportunities in the U.S. Economy (lecture, London School of Economics, November 5, 2014), *accessible at* https://obamawhitehouse.archives.gov/sites/default/files/docs/2014-11-05-lse_jason_furman.pdf (last visited Feb. 5, 2018)

⁸ United States Census Bureau, *Income and Poverty in the United States: 2016*, Table A-2, <https://www.census.gov/content/dam/Census/library/publications/2017/demo/P60-259.pdf> (last visited Feb. 5, 2018)

⁹ United States Census Bureau, *Income and Poverty in the United States: 2016*, page 9, <https://www.census.gov/content/dam/Census/library/publications/2017/demo/P60-259.pdf> (last visited Feb. 5, 2018)

Recovery from Great Recession

The United States' GDP reached pre-recession levels again by 2011, within 3 years of the crash, and since then has steadily continued to grow. While economist Emmanuel Saez's 2012 research asserted that "top 1% incomes are close to full recovery while bottom 99% incomes have hardly started to recover"¹⁰ from the Great Recession, his 2015 update to this research found that "real incomes of bottom 99% have now recovered about two thirds of the losses experienced during the Great Recession."¹¹ While in 2012 the top 1 percent of earners had captured 95 percent of all income gains since 2009,¹² that number had dropped to 52 percent in 2015.¹³

III. Effect of Proposed Changes:

Policies Requested in Memorial

SM 1658 requests Congress to adopt budgetary and other measures to reduce income inequality.

Tax Reforms

The memorial requests Congress to:

- Modernize and reform personal income taxes to close tax loopholes;
- Simplify the preparation of tax returns;
- Make the payment of taxes less regressive;
- Reform corporate income taxes to ensure that all corporations pay a minimum tax;
- Eliminate offshore tax havens and special interest exemptions; and
- Close tax loopholes.

Minimum Wage

The memorial requests Congress to increase the minimum wage in incremental steps over time so that it represents a living wage.

Public Funding

The memorial requests Congress to:

- Adequately fund essential federal government responsibilities, including public safety, the courts, health care, and programs that ensure the well-being of children and the elderly;
- Provide substantially increased funding to programs that support the unemployed and others in need, including:
 - Unemployment compensation programs;
 - Job training programs;
 - The Temporary Assistance for Needy Families program;
 - Affordable housing programs; and
 - Food and nutritional assistance programs;

¹⁰ Emmanuel Saez, *Striking It Richer: The Evolution of Top Incomes in the United States (Updated with 2015 Preliminary Estimates)* (June 30, 2016) <https://eml.berkeley.edu/~saez/saez-UStopincomes-2015.pdf> (last visited Feb. 5, 2018)

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

- Provide increased funding for early childhood education programs, public schools, and vocational and technical education programs; and
- Provide funding over a multiyear period to repair and enhance the infrastructure of the United States, including, but not limited to, public roads, highways, bridges, and buildings.

Health Care

The memorial requests Congress to enact strong legislations to contain health care costs, including prescription drug costs.

Consumer Protection

The memorial requests Congress to:

- Ensure that action is taken to identify, prosecute, and punish those who commit health care fraud;
- Ensure that federal law is sufficient and federal agencies are adequately funded to ensure effective regulation of financial institutions and investment firms and to punish those who intentionally deceive the public;
- Appoint a special study commission to examine the adequacy of consumer protection, including consumer credit, subprime automobile loans, title loans, residential mortgages, telemarketing, consumer products, and employment law; and
- Ensure that federal laws relating to consumer protection are strongly enforced.

Impact of Memorial

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IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

None.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.