Estimated Economic Impact of the Florida Gift Ban Law upon Tallahassee/Leon County, Florida

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Introduction & Methodology

The Florida Gift Ban Law is an act "relating to registration and reporting requirements for legislative lobbyists and lobbyist of the executive branch and Constitution Revision Commission," which was approved in December 2005 and went into effect January 1, 2006. The Florida Gift Ban Law consists of requirements as such:

- Principal[1] upon the registration of the principal lobbyist to identify the principal's main business.
- Lobbying firm and principal must maintain certain records and documents for a specified period.
- Lobbying firm has to file quarterly compensation[2] reports.
- Lobbying firm has to report certain compensation information in dollar categories and specific dollar amounts.
- Prohibiting lobbying expenditures, except for certain floral arrangement and celebratory items.
- Prohibiting principals from providing lobbying compensation to any individual or business entity other than a lobbying firm.

The purpose of this study was to determine the extent that the Florida Gift Ban Law has impacted Tallahassee/Leon County businesses during legislative session occurring in March and April, 2007. In an effort to achieve the study objectives, a data collection instrument was developed specific to the study in order to estimate the total economic impact of the Florida Gift Ban Law. In order to capture responses from businesses directly affected by the Gift Ban Law personal interviews were randomly conducted with Tallahassee/Leon County business owners and operators representing very specific economic categories of Leon County as categorized by the IMPLAN Professional® software program, a widely accepted economic model used throughout the U.S. by many counties conducting economic value research. The economic categories as reported in IMPLAN used for this study represented fourteen sectors and a total of 139 businesses. From this list, thirty-three percent (n=46) of these businesses were contacted at random. A total of 36 businesses agreed to provide data based upon confidentiality of the information. This resulted in a usable response rate of twenty-six percent. The following business categories were represented in the study:

1. Transit and Ground Transportation (Taxi Services)
2. Transit and Ground Transportation (Limousine Services)
3. Transit and Ground Transportation (Rental Auto Services)
4. Scenic and Sightseeing Tours
5. Couriers and Messengers (Couriers/Delivery)
6. Couriers and Messengers (Florist)
7. Miscellaneous Stores Retail (Bars & Pubs)

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[1] Principal: refers to the person, firm, corporation, or other entity that has employed or retained a lobbyist.
[2] Compensation: refers to a payment, distribution, loan, advance, reimbursement, deposit, salary, fee, retainer, or anything of value provided or owed to a lobbying firm, directly or indirectly, by a principal for any lobbying activity.

8. Miscellaneous Stores Retail (Lounges)
9. Specialized Design Services (Event Planning)
10. Specialized Design Services (Meeting Planning Services)
11. Specialized Design Services (Party Planning Services)
12. Specialized Design Services (Party Supplies)
13. Hotels and Motels
14. Food Services (Restaurants)

Since the enactment of the Florida Gift Ban Law, numerous and continuous claims of lost business revenue by local Leon County business owners have been expressed publicly. The main cause of this situation is attributed to the inability of lobbyists to expend their business dollars on services related to lobbying legislators using establishments and businesses owned and managed by local service providers. Although activity related to this situation occurs throughout the year, most of these dollars are typically spent during legislative session. Spending creates what is known as the multiplier effect, whereby in this application, lobbyist dollars transgress throughout the entire local economy. This becomes possible, for instance, as initial lobbying dollars are spent in Leon County places of business for legislative lobbying purposes in such establishments as local restaurants, nightclubs, catering services, hotels, etc. Lobbying dollars that are received by local employees working in our area businesses are subsequently spent by our paid workforce at many other places of businesses throughout the county (i.e., grocery stores, gas stations. shopping malls, etc., etc.) This behavior starts a chain reaction of dollars that are virtually turning over, or multiplying, within our community. In the case of Leon County, each lobbyist dollar spent creates a multiplier of 1.45, as calculated by the IMPLAN software program. This indicates that for every $1.00 entering our economy contributed by lobbyists for paid activities related to lobbyist spending, it produces a total positive income change of $1.55. This study analyzed lobbyist spending as a direct result of the Florida Gift Ban Law and determined that **Tallahassee/Leon County lost more than $4.1 million, or slightly more than $500,000 each week of session due to lack of total lobbyist spending during March and April of 2007.**

Related Evidence

Many business owners and operators expressed their concern with lost business opportunities due to the Gift Ban Law above and beyond those absolute dollars they were able to document. In essence, the inability to introduce local business products and services to potentially new customers through lobbyist spending for events and other activities is immeasurable, but indeed exists. Historically, when lobbyists prior to the Gift Ban Law provided services, many first time users of local products and services experiencing satisfaction from service providers, returned as repeat customers. There was an indirect marketing effect created through positive word of mouth by new customers creating additional business for many of the responding companies. Although this cannot be validated without further research, we believe it to be credible information. It should be noted that the economic analysis for this project took a more "conservative" approach and did not examine or include this intangibility factor. Satisfied customers lead to lifetime relationships that create profits and revenues for businesses. Without the ability to provide access to local businesses through lobbyist spending, economic loss is certain to some unknown degree at this time.

IMPLAN Economic Impact Analysis

The IMPLAN program is widely accepted by researchers because it uses multipliers for specific outputs to estimate impact visitor spending has upon labor, income and employment. The economic impact for the Florida Gift Ban on the Tallahassee/Leon County region calculated by using IMPLAN is summarized in Table 1 below. The total impact on output decline (Direct + Indirect + Induced) of all lobbying expenditures during March and April 2007 is more than $4.1 million. According to IMPLAN, the $4.1 million output decline would have supported 74 existing employees at an average annual compensation loss of $17,973 ($1.33/74) assuming this trend continues year-round.

Table 1
Florida Gift Ban Economic Impact Analysis for Legislative Session, 2007

Gift Ban IMPLAN Analysis[3]		Direct	Indirect	Induced	Total	Multiplier
All Business Sectors	Output ($mil)	$3.02	$0.57	$0.55	**$4.14**	1.45
	Labor Income ($mil)	$0.97	$0.18	$0.18	**$1.33**	1.55
	Employment	63	5	6	**74**	1.59

[3] Florida Gift Ban Economic Analysis conducted with 2004 Leon County IMPLAN data.

Appendix 1

Glossary of Economic Impact Terms

- *Direct effect:* production changes associated with changes in demand for the good itself; it is an initial impact on the economy.
- *Employee compensation:* wage and salary payments as well as benefits, including health and life insurance, retirement payments and other non-cash compensation.
- *Employment multiplier:* for every million dollar change in final-demand spending (direct output), the change in employment (jobs).
- *Indirect effect:* the secondary impact caused by changing input needs of directly affected industries (e.g., additional input purchases to produce additional output).
- *Induced effect:* caused by changes in household spending due to the additional employment generated by direct and indirect effects.
- *Labor income:* consists of employee compensation and proprietary income.
- *Labor income multiplier:* for every dollar change in final-demand spending (direct output), the change in income received by households.
- *Output:* industry output is a measure of the value of goods and services produced in the study area.
- *Output multiplier:* An output multiplier for a sector is defined as the total production in all sectors of the economy that is necessary to satisfy a dollar's worth of final demand for that sector's output (Miller and Blair, 1985). In other words, every dollar change in final-demand spending (direct output) changes the total value of output in all sectors.
- *Proprietary income:* consists of payments received by self-employed individuals as income. This includes income received by private business owners, doctors, lawyers and so forth.