



FOR MARCH 15, 2001

Budget Update

In a press conference held late yesterday, Sen. President John Mckay (R-Bradenton) announced, with the concurrence of the Democratic minority leadership, that the Senate would be unable to support the Governor's recommended tax cuts. The Senate's position is based on budget math that has changed rapidly since January. The state is facing a \$1 billion shortfall in Medicaid funding and, in addition, the Revenue Estimating Conference, a consortium of state staff and economists, are predicting \$228 million reduction in next year's tax income due to a cooling economy.

The Governor's tax cut recommendations are primarily a further cut in the tax on stock and bonds (the intangibles tax) and the so-called "sales tax holiday" which eliminates the 6% sales tax on clothes for one week. The intangibles tax cut would amount to \$222 million and the sales tax holiday totals \$48.5 million. In addition, other proposed cuts on the table, though not recommended by the Governor, include the repeal of the alcoholic beverage surcharge or "drink tax." Currently, this tax brings in approximately \$40 million to the state.

The Senate President had already indicated on numerous occasions that his top priorities for the session included improving care for the elderly and disabled children.

Both the House Speaker and Governor have indicated that they will work with Sen. Mckay and share the hope that there can be some negotiated tax relief this session.

AIF is extremely grateful to the Governor and current and past legislative leadership that has already done so much these past two years to ease the burden on Florida's business community. We are very mindful of the many obligations that the state has in providing services to the elderly and children. While we believe that there remains compelling arguments for repealing the intangibles tax this year, we understand and appreciate the state's needs in the face of rapidly dwindling tax dollars. We will continue to monitor the budget process and the status of the state's income during the session. If the numbers move favorably, we will be the first in line advocating these cuts. If not, we support the necessary efforts to meet the state's current obligations and to improve care for our elderly citizens as part of the Nursing Home Care Reform legislation moving through the legislature.

Long Term Care Reform

The House Elder and Long Term Care Committee reviewed today possible amendments to a proposed committee bill, ELT-01-01 on nursing home reform in preparation for a vote next Tuesday. Committee Chairman Carole Green (R-Ft. Myers) asked that interested parties provide the committee with their analysis of the bill. Ed Fortune, representing the Florida Health Care

Association, said that the association would provide a written report, particularly addressing language in the bill that may actually increase the number of persons whGovernor Bush's State of the State Addressnd Rep. Joe Negrón (R-Stuart) proposed an amendment that would change the current legal standard in statute for suing a home to be "any reasonably prudent nursing home," rather than current law, which simply states "nursing homes licensed in Florida."

Rep. Negrón also announced that he would propose at a later committee meeting an amendment to establish a Joint Underwriting Association. [AIF has written at length](#) about the problems associated with a JUA and how this is a non-solution.

Overall, the meeting was a great deal of musing and discussion, with not a lot of indication that the committee quite yet has the stomach to make the hard decisions regarding lawsuit reform. There is no simple, politically easy way out on this issue. Nursing homes are being driven under financially by excessive lawsuits. These lawsuits are the result of a comparably very weak law that is a virtual welcome mat to attorneys to sue, sue, and sue nursing homes. The law needs to be fixed. It needs to be comparable to what other health care practitioners enjoy in Florida under medical malpractice law or general tort law. Some trial attorneys who have made a mint under current law will be unhappy if it is changed. We are convinced that once the committee and other legislators will have had a reasonable opportunity to explore all the options, they will agree with us and Florida's nursing homes will be saved. Quality of care will be improved and nursing homes will no longer face financial ruin through excessive litigation.

The tremendous amount of dollars going into the trial attorneys' pockets is comprised of private and Medicaid dollars paid into the system through our taxes. This year alone, the state is making up a state Medicaid budget shortfall of roughly \$1 billion to pay for health care for children and the elderly. Unless sanity is restored to the system, the costs of the providing nursing home care to Florida's citizens and to every business will continue to escalate. Next year the state, including the business community, may not be looking at tax reductions, but rather tax increases due to a system that, under current law, is a bottomless pit.

Stay tuned to our daily brief and to our web site at www.fbnet.com as the legislature makes some very important decisions on the state's economy. These decisions will have a major impact on the business community and AIF will be reporting to you everything that happens.

This report was prepared by Curt Leonard, Manager – Governmental Affairs at Associated Industries of Florida (AIF). Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

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- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.