

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
WEEKLY UPDATE**



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**FROM SPECIAL SESSION 'B'
FOR THE WEEK OF OCTOBER 22-26, 2001**

The Florida Legislature concluded its first week of the Special Session. The State Budget shortfall was the topic of the week, however Governor Jeb Bush expanded the call to let issues such as Aviation Fuel Tax Abatement, State Security and the Florida Building Code open for consideration. The House and Senate select committees established to examine security issues continue to take testimony from both the private and public sector regarding their security plans.

AVIATION FUEL TAX

Senator Jim King (R-Jacksonville) is the Senate sponsor of a bill advocated by AIF to reduce the current aviation fuel tax from 6.9 cents per gallon to 3.45 cents per gallon. Representative J.D. Alexander and other representatives have agreed to sponsor the House version of the bill. While the House bill has been filed, it has not yet been numbered. The reduction in the tax will expire on July 1, 2003 by which time we hope our nation's airlines and those flying in Florida will be back to their pre-September 11 levels.

AIF had previously been advocating a complete abatement of the tax through July 1, 2003. Florida's aviation fuel tax, easily the highest in the nation, is a key factor in making many, many routes in Florida simply unprofitable for the major airlines during this season of drastically reduced passengers. While generating "demand" through tourist promotion by VISIT FLORIDA is certainly a wise tactic, it is unclear when travel to Florida, both business and tourist-related, will find its way back to levels maintained prior to September 11. In the mean time, our airlines desperately need cash flow *now* and are under enormous pressure to eliminate unprofitable flight routes. While halving the aviation fuel tax is not our original proposal, given the high rate of the tax, 3.45 cent per gallon would remain a very real, positive step and would have an immediate effect on restoring flight routes to Florida.

A draft of the House bill was released this afternoon and it takes yet another approach. The House bill repeals immediately the entire 6.9 cents per gallon aviation fuel tax and sets up the "Legislative Aviation Fuel Tax Accountability Panel" composed of three (3) Senators, three (3) Representatives and the Lieutenant Governor, to determine the extent to which airlines have in fact increased the number of capacity of flights in Florida in response to this incentive. The bill further states "it is the further intent of this act that the Legislature should allow this incentive to remain in place for the full period referred to ...of this act if the panel's accountability standards are met." The bill then directs the panel to establish standards, for determining whether the expected increases in the November or capacity of flights in Florida have occurred, and by January 15, 2002, provide a report to the Speaker and the President describing the standards and the extent to which they have been met. If the panel determines that satisfactory progress has been achieved, the panel's report shall also include a recommendation that the abatement of the excise tax on aviation fuel be allowed to remain in place for the full period (until June 30, 2003). The bill also provides the panel should consider and recommend at what rate the excise tax on aviation fuel should be reinstated subsequent to June 30, 2003. AIF likes this approach very much. Next week AIF will be working with both the House and Senate approaches and any and all other proposals to arrive at a bill which will insure the best airline service possible for Florida. The tourism industry of Florida lives off airlines.

It is interesting to note that the Florida League of Cities, supposedly on behalf of their municipal airports, are passing out information suggesting that this reduction would cost Florida tens of millions of dollars in federal matching funds. Yet at the same time, the airports are advocating that they should be able to use the aviation fuel tax dollars for operations and security. However, if they redirect the expenditure of these monies from construction, as currently designated by statute in keeping with federal requirements, then, millions of dollars would be lost in federal matching funds. So either way, if the cities' claims are correct, federal matching funds will be lost. Given the federal funding for airport security, which will almost certainly be adopted by the U.S. Congress in the next two weeks (already passed by U.S. Senate), the airports arguably do not need the aviation fuel tax dollars to fund security. We believe our recommendations will have the most immediate and effective impact in getting Florida flying again.

BALANCING THE BUDGET

The Florida House caused brouhaha Thursday by taking up the Senate's proposed budget for dealing with the \$1.4 billion shortfall in the 2001-02 fiscal year. This was extremely untypical. Normally, the Senate writes a proposed budget, the House writes their version and then they go to "conference committee" where select members of both chambers hash out their differences. A conference report is then issued and both chambers vote on the same bill.

There were some artful tactical considerations made by the House in doing this. The Senate's proposed budget did not include monies to be gained by delaying the implementation of the intangibles tax reduction – adopted in the 2001 regular session. The governor only expanded the call yesterday to include delaying the intangibles tax

reduction as an option for finding money to balance the budget. The Senate has been keen since day one of the special session to delay the reduction of the intangibles tax. House Speaker Tom Feeney (R-Oviedo) has been adamant in protecting this tax reduction. By taking the Senate budget, the House effectively took the intangibles tax reduction delay off the table. At least for now.

The House will reconvene Tuesday to continue its consideration of the Senate's budget proposal.

FLORIDA BUILDING CODE

SB 38-b by Senator Charlie Clary (R-Destin) and HB 81-b by Representative Mike Bennett (R-Sarasota) were introduced this week to delay the implementation of the Florida Building Code, originally written and adopted in the 2000 regular session. Implementation of the code was previously delayed during the 2001 regular session for six months. The bills proposed pushing back the implementation of the code from January 1, 2002 to April 1, 2002.

Proponents of the delay, among other reasons, purport that many city and county building departments will have not yet defined "wind-borne debris protection zones" by January 1, 2002 – the date set for the code's implementation. Opponents of the delay, including construction industry businesses, point out, with some reason, that these zones will never be defined as long as the legislature keeps pushing back the code's implementation.

AIF believes it is simply time to implement the code. The legislature has been more than reasonable on this issue. Maybe it is time that the city and county building departments work overtime and get the zones defined. Let's not forget that lives and property are at stake.

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.

- For more information on all of the important legislative information concerning the business community, go to our "members only" Florida Business Network web site at <http://fbnet.com>
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