



FROM JANUARY 30, 2002

Tax Reform – Update

AIF held a press conference today to release the results of a poll, taken January 27 and 28, measuring the voting public's response to Senate President John McKay's (R-Bradenton) plan to reform Florida's tax code through a constitutional amendment.

The numbers for the proponents of this tax reform plan were not good. Forty-eight (48) percent of the respondents believe the plan would ultimately increase the amount of taxes their family would pay. Only 26% believe their taxes would drop while 25% were unsure.

More compelling was the survey result that found 69% opposed taxes on services, such as haircuts, dry-cleaning, membership dues and residential cleaning. Worse yet for the McKay plan was the resounding response of 73% of the respondents who believe that the state is spending too much money, not that tax revenues are insufficient. In other words, just shy of three-quarters of the voting public believes that the problems lie on the spending side, not the revenue side. This mirrors the same conviction held by the State Tax Reform Task Force, which voiced the same observation in its final report to the Governor, Speaker of the House and Senate President on Monday, January 28.

To sum it up, the public is extremely uncomfortable with the plan. Word is getting out that:

- A. By doing this "reform" as an amendment to the Florida Constitution, the Legislature is robbed of its flexibility to respond in a practical manner to the wax and wane of the public's spending habits.
- B. The amendment establishes an artificially condensed timeline within which the Florida Legislature will have to push through a hurried and unnatural consideration of the State's sales tax exemptions.
- C. This hurried review has a predetermined result, requiring the Legislature to "find" \$4.2 billion in new tax dollars, regardless of the merits of many of the sales tax exemptions.

The two - pronged package, CS/SJR 938 and CS/CS/SB 1106, which comprise the proposed amendment to the Florida Constitution and the implementing bill, will be considered on the Senate floor tomorrow, January 31. Senators and Senate staff are admitting that the President's office is not only twisting arms, but "breaking arms," using all the tools available to the office in order win the vote on the Senate floor tomorrow. With the redistricting process underway, whereby all 40 Senate districts are being redrawn before the elections in November, Senators are even being threatened with their Senate seats going "poof." These maneuvers have an effect. In addition, the Senate is well

aware that the Florida House of Representatives takes a very dim view of this proposal. It is the less than heroic hope of some Senators that the House will deliver them from the results of their "yes" vote on this proposal by killing it in the House Chamber.

AIF's position has been consistent on this issue. AIF supports a methodical, sober review of all of Florida's sales tax exemptions. AIF is even willing to place the much demonized "business exemptions" first in the docket for review. We believe we can meet any reasonable standards established for a review of the exemptions. The McKay Plan is not really a plan. From the beginning it has been a hurly-burly, ad hoc, improvised process with little or no consideration to the merits of any of the exemptions, except for the political muscle of those involved. They have crafted an implementing bill to skirt political opposition and wish to proceed with an amendment to the Florida Constitution that will only hand-cuff Florida and future Legislatures for generations. Tax Reform is too complex and even too seductive, if "sold" incorrectly, to be summed up accurately on a November ballot. The Legislature should do what it is "paid" to do and review the exemptions along with the Executive Branch. CS/CS/SB 1106 is 'Exhibit A' on how not to reform Florida's tax code.

Health Care

The House Committee on Insurance gave favorable votes to HB 911 & HB 913, both by Representative Frank Farkas (R- St. Petersburg). Last Session, the Legislature appropriated \$200,000 to fund the study of proposed health benefit mandates. As of today, none of these funds have been spent. HB 911 requires that an unspecified "portion" of these funds be used by the Office of Legislative Services to contract for the completion of a report assessing the impact of a list of 18 existing mandated health benefits and three proposed mandated health benefits. An amendment was offered at the request of Representative Farkas to study only future mandates. This amendment was also amended to include medical nutrition therapy and occupational therapy in the study. It was a first for AIF to stand up in the Insurance Committee and support a "mandate bill." However, we feel that the study will shed some light on the cost of future mandates. The bill now goes to the Committee on Health Regulation. As we have reported many times before, Legislative mandates, which require insurers to provide specific coverages in their health policies are a tremendous cost-driver to the system and ultimately increase premiums for Florida's employers. Florida has some 54 mandates in law, many of them well intended. A careful review is necessary, however, to address the law of unintended consequences. It does no good if Florida law requires a "Cadillac" health insurance policy that no one can reasonably afford.

HB 913 is in response to the declining number of carriers who were offering small employer health benefit plans by changing the "Employee Health Care Access Act." According to a representative from Blue Cross Blue Shield, the "flexible plan" described in this bill could save employers 20% on their insurance premiums by lifting restrictions upon deductibles, coinsurance, copayments, and maximum annual or lifetime payments. Also the bill requires the appointment of a new health benefit plan committee every 4 years, beginning October 1, 2003 in order to review the program. The bill now goes to the Committee on Health Regulation.

HB 293 by Representative Holly Benson (R-Pensacola) and others was "temporarily passed," today, which is Legislative parlance for delaying consideration until the Committee meets again.

The bill, as drafted, places an enormous administrative burden on health maintenance organizations, limiting their ability to accurately manage their finances. The bill is referred to as the "prompt pay" bill, because it seeks to enforce just that, prompt pay, to doctors and consumers for services rendered and paid for. However, in an attempt to speed the process, the bill provides for what could be tremendous financial losses for insurers.

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