

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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SENATOR RICHARD MITCHELL STEPS FORWARD WITH A PLAN FOR TAX REFORM

Surrounded by Senators from both parties and representatives of the Florida business community and Associated Industries of Florida, Senator Richard Mitchell (D-Jasper) held a press conference at Noon today to propose a solution to the “tax reform” logjam. Senator Richard Mitchell advocated that the great divide between the House and Senate on tax reform could be bridged with an orderly, methodical review of the state’s sales tax exemptions. Mitchell stipulated that a joint committee of both the House and Senate should conduct such a review, and not some politicized handpicked group of Florida’s citizens. Senator Richard Mitchell’s recommendation, which mirrors what AIF has been advocating since December, provides a good platform for discussion between the House, the Senate and Governor Jeb Bush.

Senator John McKay’s (R-Bradenton) original, and then revised, tax reform plan is opposed by both the House and the Governor. Both are unconvinced that Florida is in some kind of “fiscal crisis.” The Senate’s other idea, a \$1.1 billion tax increase, went nowhere quickly and Senator John McKay abandoned it yesterday, as we have reported. What little support there was for the increase evaporated when Senate Majority Leader Jim King (R-Jacksonville) announced his opposition last week to the spending plan and then the Revenue Estimating Conference issued a report soon after estimating an additional \$643 million in tax revenue for the 2002-03 fiscal year.

The fact remains, however, that unless there is a full scale revolt in the Senate, Senate President John McKay can hold the everyone hostage until he gets some version of tax reform, as he continues to insist. The Governor, House Speaker Tom Feeney (R-Oviedo), Senate President John McKay and their lieutenants are all exchanging ideas on what would comprise an acceptable version of tax reform. AIF supports Senator Richard Mitchell’s plan.

Senator Richard Mitchell’s plan recommends the establishment of a Joint Legislative Tax Review Committee consisting of seven members of both chambers, with an alternating chairmanship. Implementing legislation would establish the criteria by which the sales tax exemptions would be reviewed. The criteria should embrace an evaluation based on equity, economic growth and competitiveness.

Legislative staff has historically categorized all of Florida’s sales tax exemptions as follows: business, organizational, miscellaneous, household and services. AIF would support the business sales tax exemptions are up for review first. Those looking for mounds of money by repealing the business sales tax exemptions will be disappointed to find that the exemptions only comprise \$1.88 billion the over \$22 billion in current sales tax exemptions. The review should be completed by July 1, 2004. AIF does not support nor did Senator Richard Mitchell recommend that the sales exemptions “sunset” automatically unless restored by an act of the Legislature. That is a prescription for the same ill considered, frantic politicization of the process we have already observed this session in the Senate’s two ill-fated proposals.

AIF would support a measure that provided for a methodical review, utilizing objective criteria, of all the current sales tax exemptions enjoyed by businesses, organizations and services. Florida's current business sales tax exemptions actually comprise only \$1.88 billion of the \$22 billion total in sales tax exemptions. We believe the vast majority of these business exemptions would withstand even the most severe scrutiny if the criteria embraced economic competitiveness, fairness and benefit to Florida's overall economic growth.

WORKERS' COMPENSATION UPDATE

Representative Dennis Ross (R-Lakeland) offered an amendment to SB 108 on "second reading" today that was supposed to represent the sum of the House's efforts on "reform" this year. As we reported in last night's report, AIF and the Coalition of Business and Insurance Industry advised leaders in both chambers that it would not support any "half measures" this session. The mounting crisis demands a wholesale reform of the workers' compensation system that provides increased benefits to injured workers, the elimination of the cancerous hourly attorneys' fees and the elimination of the fraudulently abused construction exemptions.

The amendment offered by Representative Dennis Ross was adopted even though an AIF analysis showed that the language would, in fact, increase costs to the workers' compensation system. AIF is, of course, opposed to anything passing this session that does nothing to decrease costs to the system and is especially opposed to effort such as this that may increase costs.

Florida's Workers' Compensation system is slowly unwinding into a completely unworkable, unaffordable process that neither serves the employer or the employee. AIF supports real, substantive reform that will repair the system and insure adequate care and benefits for injured workers. Half-baked attempts to protect the financial interests of attorneys and fraudulent business operations that refuse to cover their employees only compromises any real reform. Now is the time to enact reforms before the system is in complete collapse. The system was designed to be self-executing. The system was designed to make sure an injured employee received the speedy and necessary care in order to return to their rightful place in the workplace. It was not designed to provide a career path for bureaucrats and attorneys.

CABINET REORGANIZATION

After adopting technical amendments on third reading the Senate gave final approval to their version of the new Chief Financial Officer (CFO) arrangement, mandated by a revision of the Florida Constitution in 1998, by a vote of 31 – 5. SB 662/232 by Senators Jack Latvala (R-Palm Harbor) and Steve Geller (D-Hallandale Beach) provides that the CFO directly appoints two "division heads" – not commissioners – and that they are then subject to approval by the Governor and the Cabinet. However, the CFO must appoint these two individuals in consultation with the Governor and the division heads must be approved unanimously by the four-member Cabinet.

Problematic to AIF in the Senate bill is that the attorneys, auditors, administrative staff and budget would all be under the control of the CFO and not the proposed division heads of the Banking & Securities and Insurance Divisions. The division heads will be out on an "island" surrounded by people over whom they will not have true authority. This is not good and still lends too much authority to the CFO over these enormous industries.

AIF and the Florida House hold that the CFO should simply administer the state finances, which are the constitutionally mandated responsibilities of the two current and soon-to-be-combined offices of Comptroller and State Treasurer. AIF supports HB 577 by Representative Mark Flanagan (R-Bradenton) which creates the Department of Insurance and Financial Services. Under the proposal, the Governor and Cabinet serve as the head of the department, with responsibility for rulemaking. An Executive Director appointed by the Governor and Cabinet, subject to Senate confirmation, would conduct administration and personnel activities. The functional regulation of insurance and financial services entities are under the direction of commissioners appointed by the Executive Director, subject to approval of the Governor and Cabinet. The Commissioner of Insurance is responsible for regulation of insurance and serves as State Fire Marshal. The Commissioner of Financial Services is responsible for regulation of banks, credit unions, other financial institutions, finance companies, funeral and cemetery services, and the securities industry. Each commissioner has authority to take "final agency action" for purposes of the Administrative Procedure Act.

HB 577 is on third reading in the House. It is likely that the bill will not be taken up until an agreement is struck between the principles on the issue in the House and Senate.

The regulation of banking, insurance and securities and where it is housed is the prerogative of the Legislature. In reality, the Florida Legislature could place the regulation of those industries under the authority of any State entity it chose. There is nothing that requires and neither did the voters contemplate requiring that all these industries fall under the direct sway of the CFO. AIF believes that the House plan insures the regulatory oversight, consistency and authority needed to protect both Florida's consumers and the integrity of the Office of the Chief Financial Officer while combining the Constitutional, financial duties originally intended by the voters in 1998.

COMMERCIAL PERMITTING AND NETTLESOME "INTERVENORS"

The House took up HB 819 by Representative Gaston Cantens (R-Miami) today on second reading. Representative Gaston Cantens offered and the House adopted amendments largely conforming the bill to its Senate companion, SB 270 by Senator Jim King (R-Jacksonville). The bill seeks to limit the ability of individual activists to intervene in pending permitting actions by developers. Under current law, it has been too easy on occasion for individuals and groups to intervene and gum up the permitting process simply because they have the notion that economic growth or development is bad. While current law requires that a group or individual must be "affected" or have a "substantial interest" with regards to the development project in question, the law is drawn loosely enough to permit parties to intervene that are not really affected.

Like the Senate, the House adopted amendments to restrict the bill's narrow influence further. None the less, Senator Jim King was agreeable and did not fight the amendments. The bill still does some good, disallowing an individual to intervene in a pending permitting case if that individual has absolutely nothing to do with the case under any circumstances.

AIF supports the bill. Although watered down, the bill still provides that an individual who simply opposes development under any circumstances and has no substantial interest in the proposed development's outcome cannot inhibit commercial development.

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.