## FOR MARCH 14, 2002

## SENATE MOVES AHEAD ON BUDGET MINUS TAX INCREASE

The Senate finally took up its proposed budget today on second reading (second reading is when the chamber entertains amendments to legislation before "rolling the bill over" to third reading and a final vote – bills can be amended on third reading but it requires a 2/3 vote of the chamber to approve the amendment's introduction). The Senate stripped out its \$1.1 billion increase and spread, throughout the budget, the "extra" \$643 million in tax dollars anticipated by the Revenue Estimating Conference. There remains a question about the "additional" \$643 million because of a recently adopted Federal depreciation schedule as it relates to the corporate income tax. Florida is could lose up to \$200 million in tax revenue next year because of a federal economic-stimulus bill that Congress passed last week. The economic-stimulus bill, which Congress passed Friday, March 8, and President Bush quickly signed, would allow businesses to speed up depreciation of equipment. Speeding up depreciation would increase tax deductions for corporations and reduce the amount of corporate income taxes paid to the federal government and the state. The state annually adopts a bill each year to track federal law on corporate income taxes. The Senate has already passed such a bill this year, and the House is contemplating its companion.

The House has already adopted its budget and has been waiting impatiently for the Senate's action. Once the Senate considers their budget on third and final reading early next week, the two bodies will then move to "conference" to attempt to resolve their differences.

After the Senate recessed, Senator Don Sullivan (R-St. Petersburg) suggested that it was still very possible for the budget to be "put to bed" by March 22<sup>nd</sup>, the 60<sup>th</sup> and last scheduled day of the Regular Session. However, the other big project looming before the two chambers is redistricting which could prove even more problematic than the budget. Both the House and Senate must agree on their proposed redrawing of the State's House, Senate and congressional districts based upon the results of the U. S. 2000 Census. These districts and where the lines fall is the very heartbeat of the political lives of the currently serving legislators. It is no easy trick for the Legislature to come to an agreement on this effort.

While the Senate spent the majority of day plowing through dozens of amendments to their budget bill, the House devoted a significant portion of its day to claims bills and local bills.

## **UNEMPLOYMENT COMPENSATION EXPANSION IN BUDGET?**

Amended onto the Senate budget-implementing bill apparently were some provisions from of SB 1220 by Senator Debbie Wasserman-Schultz (D-Pembroke Pines). Senator Debbie Wasserman-Schultz offered the amendment. While SB 1220 recklessly expanded unemployment compensation benefits, the amendment is a much narrower version, yet still potentially expensive to Florida's employers.

The language amended to the Senate budget bill, SB 2502, provides for an "alternative base period" whenever an individual is not monetarily eligible in a "base period" under current law to receive unemployment compensation benefits. The amendment specifies for the 2002-03 fiscal year only, an "alternative base period" or expanded benefit period for those unemployed since October 1, 2001, presumably to benefit those who lost their jobs in the aftermath of the September 11 attacks on the U. S. The language is particularly burdensome in that, in addition to increasing costs to the unemployment compensation trust fund, it mandates further data to be provided to the State by Florida's employers in an effort to document and expand the benefit year.

While well intended, an expansion of the current unemployment benefits would be a mistake. Given the current economic conditions in Florida, the Unemployment Compensation Trust Fund is under stress, and any further monetary demands on the fund could trigger a rate increase. Section 443.131(3)(e) 1.c., F.S., provides that when the balance of the Unemployment Compensation Trust Fund is less than four percent of the state's taxable payrolls, a positive adjustment factor will be computed and included in the variable adjustment factor used in computing the tax rates for all experience-rated employer accounts. The adjustment remains in effect for every year that the fund balance is below four percent. The effect of this adjustment is to raise the tax rates for all rated employers who are below the maximum rate until such year as the fund balance is again equal to or greater than four percent of the state's taxable payrolls.

In other words, a costly expansion in Florida's unemployment benefits could have the effect of "triggering" an increase in the unemployment compensation tax rate on Florida's employers.

We hope this amendment will be reconsidered in the conference committee meetings between the House and Senate.

A further increase in the Unemployment Compensation tax rate could have the perverse effect of causing employers to further cut back on their number of employees. 96% of Florida's employers have 10 or fewer employees, according to our most recent statistics. Other means must be identified to assist the unemployed than further lifting funds out of an already depleted Unemployment Compensation Trust Fund, if that need is identified by the Legislature.

Stay tuned to our daily brief and to our web site at <a href="www.fbnnet.com">www.fbnnet.com</a> 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.

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- 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 <a href="http://fbnnet.com">http://fbnnet.com</a>
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