


ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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FOR MARCH 19, 2002

BUDGET SAGA CONTINUES

Last night, the Florida Senate simply took up the House budget bill, amended it and rolled it over to third reading. Constitutionally, the 72 hour “cooling off” period began to tick off the clock. As you may recall, by Constitutional mandate, both chambers are required to make a proposed budget available to the members of the House and Senate for 72 hours before it is brought up for a final vote. It is expected the Senate will take up the amended House budget for a final vote on Friday morning before sending it back to the House for concurrence.

Meanwhile, the House, having gotten a copy of the amended version of their budget, shipped *another* proposed amended version of the budget, written to the Senate’s amended bill, down to the Senate this morning. The House’s message was “*this is what we will amend to the budget once you send it down to us. Would you agree to these amendments?*” Are you confused? Well, members of the Senate were, as they tried to unwind if the proposed, yet unadopted, amendments to their amended House budget constituted a counter offer that got yet another 72 hour clock ticking as of this 7:30 a.m. morning. Senate staff attorneys are still working on this puzzle. These strange machinations and confusion are the result of the Senate being behind schedule on its proposed budget and not wishing to go to conference committee meetings. As we have previously reported, historically the two chambers have appointed members to a joint conference committee that is charged with ironing out the differences between the two proposed budgets. Once those differences are ironed out, there is a “conference report” representing a compromise between the two budgets. Then, the conference report is delivered to the two chambers and the all important 72- hour clock begins to run on just one budget bill under consideration.

The Senate has no idea what to do with the House chamber’s proposed amendments to their amended budget. It is likely that the Senate will sit tight and wait and see what the House does to their budget proposal once it gets down to the House Friday. If Vice President Dick Cheney can make progress on a Middle East cease-fire, perhaps he can visit Tallahassee later this week and help out on the budget negotiations.

REAPPORTIONMENT SAGA CONTINUES, TOO

As we have previously reported, the Legislature has been hard at work redrawing their legislative and congressional seats to reflect the results of the 2000 census and in compliance with the mandates of the Constitution.

The House and Senate both agreed to take each other's proposals for their respective chamber's districts. The House took the Senate's rewrite of their own districts and visa versa. The difficulty, experts predicted, would be in the rewrite of the congressional seats. However, early this evening, the Senate substituted their plan for the House plan and sent it back to the House, sending back a plan not far afield from the House chamber's original plan. Although a quick analysis by AIF staff is not detailed, it appears at this hour that the Senate is attempting to come to a quick and timely agreement on this issue. At the minimum, a newly drawn congressional seat in Orlando would appear to be agreeable to House Speaker Tom Feeney (R-Oviedo) who is planning on seeking election to the U. S. Congress in the upcoming November elections. While Speaker Feeney has made it clear he can win in any seat drawn in the Orlando area and would welcome the challenge; he would certainly welcome a so-called "safe seat". A former hockey player from Pennsylvania, Speaker Feeney has never been afraid of a fight and it is doubtful that he will "give away the farm" in the remaining days of session on key issues just to maintain this Senate counter offer and the supposed "safe seat." We shall see.

SENATE SNIFFS AT HOUSE TAX REFORM PLAN

Under the leadership of Representative Rob Wallace (R-Tampa) the House Fiscal Policy and Resources Committee adopted a tax reform plan yesterday that provided for an 18 member joint committee of both the House and Senate. HB 2027 provides that nine members of each chamber would review the sales tax exemptions under current law for three years, providing recommendations by a super majority vote to the larger chambers on which exemptions should be repealed or maintained.

The Senate is unimpressed, with Senate President John McKay (R-Bradenton) complaining that the proposal needs to incorporate an automatic "sunset" of sales tax exemptions. In other words, there should be a deadline on the exemptions and if the committee fails to act on an exemption, it automatically is subject to repeal by a date certain.

Both the Speaker and Governor have rightly pointed out that a "sunset" on all the state's sales tax exemptions is a prescription for "chaos" for the state's businesses, both existing and potential new ones, which would be unsure of their status under the law. Such uncertainty is loathed by business and it freezes investment, risk capital and growth.

Representative Rob Wallace's plan mirrors a proposal advocated by AIF since December and we believe it provides for a rational approach to tax reform.

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.

BROWNFIELDS REDEVELOPMENT CLEARS THE HOUSE

The House gave final approval to HB 1281 by Representative Bob Allen (R-Merritt Island) today by a vote of 113 Yeas and 2 Nays. This “Brownfields Redevelopment” bill will increase the number of businesses potentially eligible for Brownfields redevelopment. Brownfields sites are abandoned, idled, or underused industrial and commercial properties where expansion or redevelopment is complicated by actual or perceived environmental contamination. In 1997, the Legislature created the Brownfields Redevelopment Program, which is a voluntary program through which the cleanup of Brownfields sites is initiated by landowners and developers rather than government regulators.

By broadening the eligibility requirements, more businesses can locate to Brownfields areas and therefore, more Brownfields redevelopment could occur.

SB 2168 by Senator Jack Latvala (R-Palm Harbor) is the Senate companion to the House bill and remains in the committee process. It is likely that if the House bill came to the Senate floor, that Senator Jack Latvala would withdraw the Senate version from the appropriations committee on a motion.

AIF supports the clean up and return to economic viability of these abandoned and often contaminated areas. This legislation will make the difference between property sites remaining abandoned and blighted or returning as a productive and useful element in the community.

AFFORDABLE HEALTH INSURANCE FOR SMALL BUSINESS AMBUSHED ON THE HOUSE FLOOR

After defeating bad amendment after bad amendment on second reading last week, Representative Frank Farkas (R-St. Petersburg) agreed to many of the same amendments on third reading today – when it is much, much harder to amend a bill by House rules. Any amendment to a bill on third reading requires a 2/3 consent of the body. Apparently, Representative Frank Farkas met with his main opponents on second reading, Representative Gayle Harrell (R-Port St. Lucie) and Representative Gaston Cantens (R-Miami) and struck a “deal” to take the amendments today.

The bill as written originally, was intended to give small businesses maximum flexibility and insurance carriers equal flexibility, in offering competitive health insurance plans in the market place free of government micro-management. Unloaded by the bill were the many, many mandates required of every health insurance plan offered in the Florida market. These mandates drive up the cost of premiums enormously, often requiring coverage(s) that the consumer does not want, need or can afford. The number of small businesses offering health insurance coverage has declined by 15% in the last ten years. In addition, the number of carriers offering health insurance products has declined dramatically. Six carriers now hold 75% of the small business market. By introducing flexibility in the market place, the thinking was that although the new, slimmed down plans may not be a Cadillac, the “Chevrolet” plans would be better than nothing.

Driven by doctor groups, who saw their services potentially not covered under these new, flexible plans, members of the House disagreed. Arguing for a Utopian universe, they bemoaned the coverages that would be unavailable under the new plans, forgetting *that two million Floridians had no insurance at all*. On second reading, opponents of the bill sought to amend the bill over and over, in attempt to reinstall the mandates so burdensome under current law. All those amendments failed, including several by the slimmest of margins.

Unfortunately, on third reading many of those amendments were adopted. Some 22 mandates are now part of the bill as it goes to the Senate and it appears that many of the savings found in the original bill are now lost.

On the plus side, the bill does allow for Medical Savings Accounts and flexibility for co-pays and deductibles. Currently co-pays and deductibles are set by the state. While these are positive changes, the bill is a far cry from its original form.

Given the near gutting of this bill today, AIF's support for the bill is diminished. While Medical Savings Accounts, flexible co-pays and deductibles are positive changes, it is disappointing to see the anti-reform forces rally and dissolve the original goals of this formerly good bill.

HOUSE TAKES STAND ON TAXES AND GOVERNMENT GROWTH

The House passed two House Joint Resolutions today related to restraining government taxation and appropriations. Both Resolutions are sponsored by Representative Rob Wallace (R-Tampa), Chairman of the House Fiscal Policy & Resources Committee. HJR 87 proposes a constitutional amendment, changing the revenue limit to a spending limit, which may not exceed the prior year's appropriations plus an adjustment for growth. This adjustment for growth is expressed as a percentage equal to the average annual rate of growth in median household income in Florida over the most recent five years. The state appropriations limitation is found by multiplying the state appropriations for the prior fiscal year by the growth percentage, and adding this product to the prior fiscal year's state appropriations.

HJR 87 provides for an exception to the state appropriations limitation in any fiscal year in which the governor declares a state financial emergency on the order of a war, a natural catastrophe, an economic depression, or any event of similar magnitude.

Because HJR 87 proposes a constitutional amendment, it must be approved by a three-fifths vote of the membership of each house. Following this vote, the voters of the State of Florida at the next general election must then adopt the amendment. HJR 87 provides for an effective date of January 1, 2003; and shall be applicable to the state fiscal year 2003-2004.

The Senate has not moved a companion bill to this House measure; therefore it is extremely unlikely that this measure will find its way to the ballot in November.

A House staff analysis provides the following summary on HJR 89, "HJR 89 proposes a constitutional amendment which prohibits the Legislature, in any law enacted after January 1, 2003, from imposing a tax, fee, penalty, or fine, expanding the base of a tax, or increasing the rate of a tax, fee, penalty, or fine, for an amount of significant fiscal impact, unless such legislation is enacted in a separate bill. HJR 89 further prohibits the Legislature, in any law enacted after January 1, 2008, from repealing an exemption from a tax, fee, penalty, or fine, "for an amount of significant fiscal impact," unless such law is enacted in a separate bill for only that purpose. If a separate bill is enacted in either instance, a two-thirds vote of the membership of each house of the Legislature is required. HJR 89 stipulates that this requirement will not apply to the "reclassification of criminal activity or the enactment of laws the result of which is to impose an already enacted fee, penalty, or fine to additional conduct."

The thinking behind this Resolution is two-pronged. First, it attempts to limit the Legislature's propensity to adopt significant tax policy by amending onto another bill in the final hours of session, thus limiting debate, consideration and perhaps even accomplishing its passage in near secret. Second, the resolution seeks to hold the crafting of tax policy to a higher standard, requiring a 2/3 vote of both chambers, thus requiring broad support and arguably a healthy debate.

Again, the Senate has not moved a similar companion and it is unlikely that this proposed amendment to the Constitution will ever make it to the ballot in November.

Given the lack of Senate interest in these two proposals, the House was making what sports broadcasters like to call, "a statement." The statement was, the state government is growing by leaps and bounds. Both the appropriations process and the consideration of tax policy, must be measured, understood and enjoy broad support, if altered. A "crisis mentality" can develop in the Capitol building, feeding a fever of spending and taxing that far exceeds the practical needs of the citizens or their ability to support the tax load. These two resolutions are worthy of debate.

Stay tuned to our daily brief and to our web site at www.fbnnet.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.