

LEGISLATIVE WEEKLY UPDATE



P.O. Box 784 • Tallahassee, FL 32302 • Phone: (850) 224-7173 • Fax: (850) 224-6532 • Internet: <http://aif.com> • fbnet.com

FROM SPECIAL SESSION 'E' FOR THE WEEK OF MAY 6 - 10, 2002

The second week of Special Session 'E' was a slow week as far as Florida's business community is concerned.

Most of the week was taken up by budget committee negotiations between House and Senate. Today, those negotiations were concluded with the release of the budget conference committee "report," which is the proposed budget bill, to members of the entire Legislature. The members of both the House and Senate will have the weekend to review the budget and accompanying documents before returning Monday for a final vote.

NO EXPANSION OF UNEMPLOYMENT COMPENSATION BENEFITS

The good news is that the Senate's proposed "alternative base" language for the expansion of unemployment compensation benefits did not find its way into the final budget product. This provision had been included in the Senate's original budget implementing bill.

Expanding the formula providing for who can apply for and receive unemployment compensation benefits could "trigger" an increase in the unemployment compensation tax applied to employers. Given the balance of the unemployment compensation trust fund at this date, Florida is dangerously close to triggering the automatic increase in the tax. With the economy in the midst of a recovery, now was not the time to apply an additional burden on Florida's employers.

FINANCIAL IMPACT & CONSTITUTIONAL AMENDMENTS

Of particular note, on Wednesday, May 8, the Florida Senate took up legislation mandating that when a proposed amendment to the Florida Constitution appears on a November ballot, a "financial impact statement" must accompany it. The Senate actually took up both the Senate and House bills in debate. The House bill had been previously adopted and sent to the Senate last week.

The Senate debated SB 68E by Senators Ken Pruitt (R-Port St. Lucie) and Debbie Sanderson (R-Ft. Lauderdale) and approved it by a vote of 26 Yeas to 12 Nays. The Senate then took up the House version, amended it to reflect amendments adopted to the Senate bill, and approved it by the same vote of 26 - 12. The House bill is HB 65E by Representatives Dudley Goodlette (R-Naples) and Joe Pickens (R-Palatka). The House has the option of taking up the Senate bill and passing it or concurring in the Senate's amendments to their bill and passing it on Monday.

The impetus for this bill is two-pronged. First, in 2000, the voters approved an amendment to the Florida Constitution requiring the establishment of a High Speed Rail System. To this day, estimates vary *in the billions* on how much it would cost the State to put the rail system into service. The Governor and Legislature have been wrestling with this financial monstrosity ever since the amendment's adoption. They are not happy about this.

In addition, there is now an additional petition drive proposing an amendment to the Florida Constitution regarding “class room sizes.” In other words, the amendment seeks to limit classroom crowding by Constitutional mandate. Would-be voters are happily signing the petitions to get the amendment on the ballot and the Legislature is staring into a financial abyss as a result.

The business community should take an interest in this issue for one simple reason. If the State is mandated by a Constitutional amendment to underwrite a high-speed rail system or a certain teacher-student ratio, the money has to come from somewhere. The State could find itself in the position of either digging through Medicaid or education funding to find the money or looking at the business community for additional tax revenues.

The legislation simply mandates that the Revenue Estimating Conference calculate and write a fiscal impact statement to appear on the ballot, letting people know that the latest neat idea from some special interest crusade may cost a great deal of money. Senator Rod Smith (D-Gainesville) spoke eloquently on the bill, and offered an amendment that clarified that the State Attorney General must petition the Supreme Court to insure that the Revenue Estimating Conference’s statement does not exceed the statutory mandate. Some Democrats remained opposed, seeing the effort as an obvious attempt to sidetrack and undermine the ballot initiative on class sizes. They were probably right, but whatever the political motivations behind the legislation, it remains a good idea for both parties.

AIF has no position on this legislation. Without some notion of what a proposed amendment may cost, the voting public can blindly approve language to the Constitution that, in the long run, could do great harm to other priorities the voters hold important. The Governor of Florida and the Florida Legislature base their annual budget negotiations on the considered estimates of the Revenue Estimating Conference. The Conference’s ability to forecast economic activity and state revenues has been uncannily accurate over the years. If the Florida Legislature, with so much at stake, can trust the Conference to provide them with the numbers necessary to calculate a State budget, surely the Conference is equally up to the task of providing Florida’s voters with some idea of what a proposed amendment to the Constitution might cost.

JOB CREATION AND WORKER ASSISTANCE ACT OF 2002 & ACCELERATED DEPRECIATION

The House will take up SB 18E by Senators Charlie Clary (R-Destin) and Ken Pruitt (R-Port St. Lucie) for a final vote on Monday. The House companion bill is HB 9E by Representative Rob Wallace (R-Tampa). The Senate passed their version of the bill on Friday of last week.

At issue in the bill is whether or not the State of Florida should “piggyback” the federal corporate income tax code. The annual legislation was sidetracked during the Regular Session when the Senate surmised that the “piggyback” of the federal tax code would delay state corporate income tax revenues for this fiscal year. This one-time, 30 percent depreciation deduction for certain investments would reduce the corporate income tax liability for corporations wishing to avail themselves of this accelerated schedule.

This accelerated depreciation schedule would delay the state’s revenues, for the 2002-03 fiscal year, by an estimated \$272 million. This number is questionable since corporations would be motivated to expand their operations, which would increase employment and increase sales tax collections based upon the actual purchases of equipment and machinery. And, of course, Florida will get its corporate income tax dollars in the “out years” since the schedule is only being accelerated and not lowered. In other words, in the long-term, the accelerated depreciation will not “cost” Florida government a dime.

Prior to the call of this special session, the Governor, Florida House and Florida business community heavily lobbied the Florida Senate, advocating that the Florida dovetail with the federal code and allow Florida's corporations and working citizens to benefit from this economic stimulus. Gratefully, the Senate agreed to take the issue up and now we are on the cusp of its adoption.

Florida's corporations provide jobs both for their employees and for all the other businesses that provide these corporations with necessary services and support. It is a growing and prosperous Florida economy that propels the spending for education and all those other government services that we are obligated to provide. Nay-sayers who opine that this is a "break for big business" ignore the simple fact that big business and all of Florida's employers, large and small, daily take the risks, invest the money, work hard and employ others insuring that tax revenues will be provided now and in the future. AIF supports the adoption of this important economic stimulus provision.

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.