

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
WEEKLY UPDATE**



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FROM THE WEEK OF MARCH 8-12, 2004

KidCare

This week the Governor signed the first piece of legislation for 2004, SB 2000 the KidCare Bill. This bill authorized \$25 million of funding for the more than 90,000 children previously on the wait-list of this popular program. The bill also changes the eligibility standards, thereby potentially reducing the number of those eligible for the program. Future applicants whose parents can purchase insurance through their employer will not be eligible for the program unless they meet income level qualifications.

The Legislature created Florida's KidCare program during the 1998 Legislative Session, in response to passage of Title XXI of the Social Security Act, to make affordable health insurance available to previously uninsured, low-income children. The program is primarily targeted to uninsured children under age 19 whose family income is at or below 200 percent of the federal poverty level (FPL), \$37,700 for a family of four.

AIF supports expanding access to KidCare as long as safeguards are put in place to make sure that parents with health insurance are not dropping their coverage in order to receive subsidized care for their children.

Substitute Communications Tax

The House Subcommittee on Telecommunications met on Tuesday, March 9th and unanimously passed HB 735 by Representative John Stargel (R-Lakeland). This bill would repeal a sales tax on substitute communication systems that could cost businesses billions of dollars in the state of Florida. This tax, which originally passed in 1985, has not been enforced. The Department of Revenue (DOR) has begun efforts to implement it, which would effectively result in the imposition of a new tax on virtually every business and many households in the State.

According to Florida Statutes, a *substitute communications system* is a stand alone system providing its own exclusive communications service rather than having those services provided through a third party communications service dealer. These taxable services are not for hire, resale, or provided to any third party. Examples include: two-way radios, two or more computers networked together in an office or household environment, an intercom system, and PDAs if administered through a company rather than a third party service provider.

HB 735 will be heard next in the House Business Regulation Committee. There is an identical bill in the Senate (SB 2302) sponsored by Senator Mike Haridopolos (R-Melbourne) which is scheduled to be heard next week in the Senate Communications & Public Utilities Committee.

AIF supports legislation to repeal this "new" tax which would harm the ability of businesses in Florida to compete.

Health Care

On Tuesday, March 9th the Senate Health, Aging and Long Term Care Committee passed SB 1744 by Senator Durell Peaden (R-Crestview). This bill allows Health Flex Plans to be established statewide. Under these plans, health insurance providers develop alternative health care coverage plans for uninsured persons who have a family income equal to or less than 200 percent of the federal poverty level (FPL), \$37,700 for a family of four. The goal of the program is to improve the affordability and availability of health care coverage for low-income Floridians who are unable to obtain health insurance. The bill attempts to do this by encouraging the development of alternative approaches to traditional health insurance. These plans are permitted to take measures that are not available to traditional health care insurers including limiting or excluding benefits and capping the total amount of claims paid per year, per covered person. A Health Flex Plan may be developed by HMOs, health insurers, local governments, health care districts, or other community-based organizations.

During the meeting Senator Debbie Wasserman Schultz (D-Pembroke Pines) raised concerns about implementing this program statewide without any evidence that it actually helps Florida's uninsured population. The bill passed without any amendments and is now on its way to the Senate Floor.

AIF strongly supports the expansion of Health Flex Plans as a way to address the health care needs of Florida's working poor. This program provides a tailored approach to health care without the burdens of mandated benefits.

Workers' Compensation

On Wednesday, March 10th the Senate Banking & Insurance Committee passed three bills related to workers' compensation, SB 2268 and SB 2270 by the Committee, and SB 1926 by Senator Jeff Atwater (R-North Palm Beach). SB 2268 is a glitch bill that would attempt to correct supposed weaknesses in SB 50 A, last session's landmark workers' compensation reform package. SB 2270 provides an appropriation to the Joint Underwriting Association (JUA) of \$15 million to fund the current deficits the JUA faces in Subplan D and SB 1926 provides the Office of Insurance Regulation (OIR) more flexibility in granting deviations to carriers in establishing worker's compensation rates.

You can view Gerald Wester's Testimony on SB 2270 and Tami Perdue's Testimony on SB 2268 at <http://www.fbnnet.com/multimedia.htm>

AIF and The Coalition on Business & Insurance (which AIF belongs to) believes that the workers' compensation area of the law does not need to be tampered with, in order that the very good law that passed last year (SB 50-A) can do it's work. However, at the request of some members, the Coalition delivered a letter to the House & Senate outlining the Coalition's input relative to the Florida Workers' Compensation Joint Underwriting Association (FWCJUA).

You may view the text of letter to Senate Members at <http://www.fbnnet.com/2004Articles/JUAAmendS.htm>

You may view the text of letter to House Members at <http://www.fbnnet.com/2004Articles/JUAAmendH.htm>

AIF is clearly aware that the deficit in Subplan D of the JUA is a problem that must be addressed. However, AIF will encourage the Legislature to look for other ways to create a permanent solution to the problem, including an adjustment of the rate structure for the Subplan to a more actuarially sound level. A one time appropriation as suggested by this bill only serves as a temporary fix and does not provide a permanent solution.

Insurance

The House Subcommittee on Insurance Regulation met on Wednesday, March 10th and passed HB 355 by Representative Kevin Ambler (R-Tampa) relating to motor vehicle insurance costs. The bill provides for the use of biometric time and date technology by health care providers rendering treatment to an insured driver for motor vehicle Personal Injury Protection (PIP) benefits. This is an effort to reduce fraud and reduce the costs of motor vehicle insurance by implementing a more stringent procedure for verification of treatment. The bill was amended at the request of the insurance industry so that the biometric print creates a presumption that the patient was present, not that they received the treatment billed for. The bill will be heard next by the full House Insurance Committee.

AIF supports technological advancements such as biometrics, which help prevent the unfortunate practice of insurance fraud.

The committee also discussed PCB-HIN-04-1, regarding flex rating. The proposal would allow insurers to raise rates on personal lines without the approval of the Office of Insurance Regulation (OIR) if it is less than a 10 percent increase statewide and does not result in more than a 25 percent increase in any one territory in the state.

The insurance industry is pushing hard for this legislation because they feel it will increase competition and provide rating flexibility. Members of the committee questioned whether this would help the market and reduce rates. Due to time restrictions, the Committee chair decided to workshop the bill again next week.

AIF supports the concept of this proposal and will continue to work with the committee on additional language to strengthen the bill.

Taxation

On Wednesday, March 10th the House Commerce Committee unanimously passed HB 873 by Representative Matt Meadows (D-Lauderhill). This bill provides a full, rather than partial, sales tax exemption for industrial machinery and equipment purchased exclusively for use in expanding spaceport activities or used in expanding manufacturing activities where businesses can demonstrate that the purchased machinery or equipment will be used to increase productivity output by at least 10%. The bill removes a current \$50,000 threshold for business to claim the exemption. According to a 1999 study by Enterprise Florida Inc., eliminating this exemption would bring in approximately \$6 million in revenue to the State. The next stop for this bill is the House Finance & Tax Committee.

AIF supports the repeal of the \$50,000 per calendar year sales tax threshold. Taxes imposed on machinery and equipment used to manufacture goods within the state place an unfair tariff on Florida manufactured goods, and repeal of this threshold would increase the ability of Florida manufacturers to compete with their counterparts in other Southeastern states.

The House Committee on Finance & Taxation met on Thursday, March 11th and considered two bills of importance to AIF. The first bill was HB 237- Tax on Sales, Use & Other Transactions or more commonly referred to as the Sales Tax Holiday bill. Sponsored by Representative Bev Kilmer (R-Marianna), this is the sixth year that this bill has been before the legislature; however it has not gained approval in the last two years.

HB 237 allows for citizens to buy school supplies and other related goods without having to pay a sales tax on the purchase. This year the “holiday” period would be from July 24th to August 1st. There was the typical partisan debate on the bill, in which the Democrats lamented the negative fiscal impact of the sales tax holiday which is estimated at \$26.3 million. The Florida Retail Federation testified, that in every year that the holiday has occurred, sales tax collections have actually increased, while during the two years it was not implemented, sales taxes went down. With support from both Democratic and Republican committee members, the bill passed on a vote of 20-5 and will now be heard by the House Appropriations Committee.

AIF strongly supports increasing business activity by allowing Floridians to purchase essential school supplies without having to pay sales tax.

Later in the same meeting, HB 791- Annual Intangible Property Tax bill was introduced by Committee Chairman Randy Johnson (R-Celebration). This bill which, has been very controversial between Democrats and Republicans, is slated to further reduce the intangible property tax that individuals and businesses pay on stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission. Current law exempts from the annual tax \$250,000 for each natural person or business and \$500,000 from each natural person and spouse. This bill, as drafted, will reduce the existing tax to .66 mills on January 1, 2005, to .33 mills on January 1, 2006 and to zero on January 1, 2007. The fiscal impact is projected at \$87.9 million of Fiscal Year (FY) 2004-2005, \$188.8 million in FY 2005-2006 and \$360.1 million in FY 2006-2007. After a spirited discussion, the bill was passed along partisan lines on a vote of 18 to 7 and will now be heard by House Appropriations Committee. This bill is the cornerstone of the Governor’s proposals to decrease taxes on investments and to spur economic growth.

AIF supports legislation that increases economic activity by decreasing taxes for individuals and business on investments.

Constitutional Amendment Reform

On Thursday, March 11th the Senate Ethics & Elections Committee met to consider six pieces of legislation aimed at reforming the constitutional amendment process. Senate Joint Resolutions 2392, 2394 and 2396 were all passed by the Committee, as were Senate Bills 2398, 2400 and 2402.

All six of the proposed reform measures were products of the Senate Select Committee on Constitutional Amendment Reform that was created to consider and explore amendment reform concepts. Chairman Rod Smith (D-Gainesville) and Vice-Chairman Jeff Atwater (R-North Palm Beach) are co-sponsors of these six proposed reform measures. The next stop for these proposals will be the Senate Judiciary Committee where much debate is expected on these significant reforms.

AIF supports politically viable initiative reforms aimed at facilitating a more responsible process and at protecting the sanctity and supremacy of the state's constitution.

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