

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
INTERIM BRIEF**



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WEEKLY INTERIM LEGISLATIVE BRIEF FOR THE WEEK OF FEBRUARY 2-6, 2004

The Legislature took on several important topics this week as a full calendar of interim committee meetings took place at the Capital.

CAMPAIGN FINANCE REFORM

The Governor's office was busy this week taking on campaign finance reform at a press conference held on Tuesday, February 3rd. Governor Bush was joined by Speaker-designate Allan Bense (R-Panama City) and President-elect Tom Lee (R-Brandon), both supporters of full disclosure on campaign dollars. The three are proposing new legislation aimed at wiping out loopholes that legislators and special interest groups have taken advantage of in recent years. One significant reform proposed by Governor Bush would make CCEs (Committees of Continuous Existence) follow the same rules in place for political action committees and candidates. Currently, CCEs are allowed to funnel money to lawmakers without disclosing where it came from. Both Speaker-designate Bense and President-elect Lee are among the few members who accept these types of contributions but disclose them. "This world needs to know who contributes to what campaigns," said Representative Bense. "Everyone should be out in the light and be seen."

You may view the Governors Press Release as

http://sun6.dms.state.fl.us/eog_new/eog/library/releases/2004/February/finance_reform-2-3-04.html

CONSTITUTIONAL AMENDMENT REFORM

The House and Senate Select Committees on Constitutional Amendments met this week to continue discussions relating to initiative process reform. Both committees spent portions of their meetings wrapping up and recapping the public testimony that has been received over the past few months. The Senate Select Committee traveled to Orlando and Ft. Lauderdale and the House Select Committee heard public testimony in Pensacola, Tampa, Daytona Beach and Boca Raton.

It has become apparent that both committees will submit their reform proposals to their respective Ethics and Elections standing committees. It is not completely clear, however, exactly the type of reforms to be recommended. In the Senate, Chairman Rod Smith (D – Gainesville) went through a litany of reform concepts, ranging from the abolition of the initiative to ratification threshold increases, in an attempt to gauge members' current positions. Senator Smith expects an initial proposal for review as early as next week. Chairman Joe Pickens' (R-Palatka) House Committee was not as resolute in attempting to publicly gauge member opinions, although he too expects that a final proposal is near.

COMPREHENSIVE PLANNING

On Monday February 2nd, the Senate Comprehensive Planning Committee passed SB 1072, Streamlined Sales and Use Tax by Senator Skip Campbell (D-Tamarac). This legislation adopts definitions and procedures to streamline Florida's sales tax system as it relates to e-commerce. Thirty-nine states and the District of Columbia have already adopted such legislation. This legislation will put Florida businesses on a level playing field with out-of-state companies who are selling products to Floridians via the internet, mail order, or telephone sales by requiring them to collect and remit Florida sales tax to the Department of Revenue.

COMMERCE

On Tuesday, February 3rd both the House Commerce Committee and Senate Commerce, Economic Opportunities and Consumer Services Committee heard a presentation from Enterprise Florida President Darryl Kelly on the statewide strategic plan to diversify Florida's economy. Known as the "The Roadmap for Florida's Future," this long-range plan will be unveiled after the working group has researched and assessed the various recommendations made. Mr. Kelly outlined several priorities to diversify and strengthen Florida's economy. His recommendations centered around expanding Florida's international trade and commerce by securing the Free Trade Area of the Americas (FTAA) Secretariat in Miami as well as strengthening Florida's commitment to bio-technology and workforce development. The plan calls for significant investments in infrastructure and advocacy efforts to maintain Florida's military bases, which provide approximately \$44 billion annually to Florida's economy.

After Mr. Kelly's presentation, Senator Mike Haridopolos (R-Melbourne) and other committee members stated that Enterprise Florida needed to take stronger positions on legislation geared at providing incentives to businesses such as SB 598 by Senator Rod Smith (D-Gainesville). This bill provides tax rebates for small employers who provide health insurance to their employees. The bill was on the committee's agenda; however, it was temporarily postponed so that some issue could be worked out. Sen. Haridopolos stated that healthcare costs must be addressed and healthcare mandates reviewed since they represent significant cost drivers and affect employee recruitment and retention.

Workers' Compensation

The House Insurance Committee met on Wednesday, February 4th and heard three presentations relating to various Workers' Compensation issues. Representative Sandy Adams (R-Oviedo), who chaired the Homeland Security Workers' Compensation Workgroup, briefly summarized the committee's hearings held in the fall of 2003. She said they were primarily presented with testimony from various firefighter and police union groups complaining about the recent law changes passed in SB 50A. However, they also received testimony from business and employer groups, as well as cities and counties, commending the Legislature for the passage of SB 50A and urging them not to undo any of that legislation as that would increase costs to the workers' compensation system.

Mr. Andrew Sabolic, Policy Coordinator of the Division of Workers' Compensation, provided the status of the Division's implementation of SB 50A, particularly in the area of exemptions in the construction industry. He reported that any exemption holder who submitted an application on or before 12/31/03 was processed and had ongoing exemption status by 1/1/04. The Division has approved 60,000 exemptions and returned about 10,000 potential applications due to error or omission, the most common of which was proof of stock ownership. They have created a stock certificate template that is now on the web that business owners can use to make sure they have the correct information.

You may view the Stock Certificate Template at <http://www.fldfs.com/WC/stockcert.doc>

When questioned by Representative Carl Domino (R-Palm Beach Gardens) on increased availability of coverage, Mr. Sabolic answered that the Legislature identified and eliminated the major cost drivers of the Workers' Compensation system with the passage of SB 50A, and the future will likely see carriers coming back to the state once those cost saving measures demonstrate profitability in the market.

Tom Maida, general counsel to the Workers' Compensation Joint Underwriting Association (JUA), gave a presentation on the status of its Subplan D created in SB 50A last session for specific employers that cannot secure coverage in the voluntary marketplace. This Subplan offers rates capped at 125% of the voluntary market rate for employers with 15 or fewer employees and non-profit organizations with 501(c) 3 status. Many of the small contractors who are no longer exempt from coverage are now in this Subplan D of the JUA. This infusion of policyholders has raised questions of whether the JUA reserves are adequate. Currently, Subplan D is facing a \$6.2 million deficit, and projects this to grow to \$36 million by December 2004.

Mr. Maida testified that to correct this deficit those policyholders will face an additional assessment. In response to a query from Representative Don Brown (R-DeFuniak Springs), Mr. Maida said that the rates should likely be doubled in that Subplan to be actuarially sound for the future, but that the current deficit must still be paid off. At the request of Representative Stacy Ritter (D-Coral Springs), Mr. Maida provided possible solutions to correct the deficit, other than assessing the policyholders within Subplan D, to include assessments on carriers or general revenue funding. However, neither of these possible solutions are available under current law. Following the JUA presentation, Chairwoman Kim Berfield (R-Clearwater) stated that the House Insurance Committee needed to work to fix the JUA. She anticipates that there will be legislation introduced on this topic but does not know if that will be in the form of a committee bill.

You may view a full report of the meeting at
<http://fbnnet.com/2004Articles/InsMeeting.html>

Healthcare

On the healthcare front, the House Select Committee on Affordable Health Care for Floridians also met on Wednesday, February 4th and approved its final report. Some of the major recommendations include:

- Incentives to reduce inappropriate utilization of emergency rooms
- Expand employment base coverage by developing a premium assistance program for employer-sponsored coverage
- Create a statewide health flex plan
- Provide consumers with greater information via a new consumer friendly website to be created by the Agency for Health Care Administration
- Promote initiatives that increase the use of evidence-based medicine
- Require the use of technology supporting a single medical record
- Promote healthy lifestyles
- Allow insurance agents and brokers to act as true insurance consultants serving consumer needs
- Allow more flexibility in tailoring plans based on individual needs
- Establish a state funded health insurance pool for select individuals who are uninsurable or eligible for coverage as a result of HIPAA requirements
- Establish purchasing pools for small employers with 2 to 25 employees

You may view the final draft report at <http://www.myfloridahouse.com/custFiles/39/1877.pdf>

Finance and Taxation

On Thursday, February 5th the Senate Committee on Finance & Taxation heard the “good news/bad news” on Florida’s economic situation from Staff Director Alan Johansen in his presentation, “Budgeting Nonrecurring Revenue: Review of Recent Actions.”

In Mr. Johansen’s presentation, he sets the stage for FY 2004-2005. There is good news: Florida will be receiving \$957 million from the Federal Jobs and Growth Tax Relief Reconciliation Act; revenue from 2003-2004 which is estimated to be \$541 million more than expected.

The bad news is that the Governor’s budget overspends recurring revenue by \$1.6 billion. This is offset by \$600 million in nonrecurring trust fund transfers and \$300 million recurring reductions from the intangibles tax cut. More spending is required to meet class-size and Article V mandates, both of which were Constitutional Amendments. Additional revenues are also needed for Medicaid and KidCare programs as well as the prison system. This year’s budget is expected to be \$21.3 billion.

More bad news ... in FY 2005-2006, Florida will require large budget cuts or large revenue increases (a.k.a. “taxes”).

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