

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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As expected, two of AIF's top priorities passed the House of Representatives today. HB 567 Relating to the Communications Services Tax by Representative Ron Reagan (R-Sarasota) and HB 529 Relating to Cable TV/Video Service Franchises by Representative Trey Traviesa (R-Tampa) both passed by comfortable margins. Now its up to the Senate to pass these pro-business, pro-consumer bills. More information on these bills is available in today's report.

Once again, the Senate has gone home for the week and members of the House Policy & Budget Council have another long meeting to look forward to on Friday, March 23rd. At this council meeting, we expect committee members to take up and discuss a proposed constitutional amendment, which eliminates all property taxes in exchange for a 2.5% increase in the state's sales tax.

In other more general news, initial budget projections from the Senate and House were made available today as well as the appropriations guidelines and deadlines for this year's budget process. In today's report you will find a more detailed analysis of the economic development line items.

Taxation

The House of Representatives unanimously (112-0) passed HB 567 Relating to the Communications Services Tax by Representative Ron Reagan (R-Sarasota). The bill lowers the Communications Service Tax (CST) by .25%, effective January 1, 2008, which is about a \$40 million tax cut for the citizens of Florida.

Within moments after the bill was passed, Governor Charlie Crist (R) released the following statement:

"I am grateful to the Florida House of Representatives for working to keep Florida affordable by passing the proposal to cut the sales tax rate on cell phones, business phones, cable and satellite services by 0.25%. This tax reduction will save Floridians and Florida businesses \$41 million every year.

"Florida's current tax is the third highest in the country. This legislation is the first step to significantly reduce this tax burden on the people of Florida. I am confident that a bipartisan

partnership with members of the Florida House and Senate will lead to tax reductions, so Floridians can keep more of the money they earn.”

HB 567 will now be sent to the Senate for consideration. We expect its Senate companion, SB 980 by Senator Mike Haridopolos (R-Melbourne), to be heard in committee next week.

AIF supports legislation that reduces the CST because it helps businesses and consumers, especially those with lower incomes, spend less of their hard earned dollars on additional taxes.

State-Issued Cable Franchises

The House also passed HB 529 Relating to Cable TV/Video Service Franchises by Representative Trey Traviesa (R-Tampa) by a vote of 104-8. Representative Traviesa introduced the bill and described it as an end to anti-consumer monopolies established by local governments. The bill provides for a statewide cable TV franchise process administered by the Department of State (DOS) rather than the existing method of obtaining franchises from negotiations with local governments. The effect of the change would be to expedite cable TV competition throughout the state. The bill also repeals future phone rate increases as a result of vibrant competition in the local phone market. It also ensures access to Lifeline phone service, a program to give needy citizens \$13.50 off the cost of land line phone service, by requiring state agencies to help qualified Floridians enroll in the program. This is particular provision is a priority for Governor Crist (R).

During debate, Representative Jack Seiler (D-Pompano Beach) said he would vote yes on the bill even though he still had some concerns, but said Representative Trey Traviesa had really tried to work with him. Representative Elaine Schwartz (D-Hollywood) debated against the bill from the local government perspective and ended up voting against the bill. Representative Rene Garcia (R-Hialeah) strongly debated against the bill saying that he could not support this legislation because there was no guarantee of real statewide competition. Representative Susan Bucher (D-West Palm Beach) stated that she believed this legislation to be an un-funded mandate, and could possibly violate the Constitution.

HB 529 will now be sent to the Senate for consideration.

Almost simultaneously, the Senate Communications & Public Utilities Committee was considering HB 529's Senate companion, SB 998 Relating to Communications by Senator Mike Bennett (R-Bradenton). Senator Bennett offered a strike all amendment to his bill that essentially replaced the original language with HB 529's language.

Senator Arthenia Joyner (D-Tampa) offered an amendment to ensure access to Lifeline phone service, a program to give needy citizens \$13.50 off the cost of land line phone service, by requiring state agencies to help qualified Floridians enroll in the program. Her amendment passed on a voice vote after some discussion by Senator Mike Fasano (R-New Port Richey).

Senator Evelyn Lynn (R-Daytona) then offered an amendment to repeal future phone rate increases as a result of vibrant competition in the local phone market. Her amendment also passed by a voice vote.

Then Senator Fasano offered an unfriendly amendment that required all new entrants into the cable market to be subject to build out provisions designed to serve all low-income communities. Essentially, this amendment would mandate how new competitors must provide their services without allowing the free market to dictate the actions of future cable providers. After vigorous debate and much public testimony, the amendment passed.

Senator Lee Constantine (R-Altamonte Springs) offered an amendment to sunset the bill in 2012, in an effort to encourage the parties to try to work out their differences and come to a compromise. His amendment failed.

AIF supports legislation to allow for state-issued cable franchises because it opens up the cable market to the free market. Increased competition will only ensure better service, a better product, and more importantly, lower prices for the citizens and businesses of our state.

Property Insurance Reform

Today, the House Insurance Committee deferred action on HB 1223 by Representative Alan Hays (R-Umatilla) creating the Citizens Property Insurance Corporation Liquidation Task Force. This task force would essentially be responsible for phasing out Citizens Insurance Co. by transforming it into a Mutual Insurance Company over a period of several months.

During debate, Representative Hays described Citizens Insurance Co. as a disease. "The disease is the financial condition of Citizens and the resulting responsibility the citizens of Florida are responsible for," he said, adding that the insured value of Citizens' 1.3 million policies is \$432 billion. "Should we require the people of Florida to own a company with such poor financial footing?" asked Representative Hayes. While most of the members of the committee spoke up in general support of the concept, it was clear they were not willing to support the bill.

AIF released a study today by the independent actuarial firm, Towers Perrin, which supports Representative Hays' concerns and the need for a process to reduce Citizens reliance on debt and subsidies from Florida's businesses to pay losses resulting from hurricanes.

Economic Development

Budgets were released this week containing funding for economic development and international affairs. The House released an economic development budget with several recommended funding reductions in economic development programs. The House's version contains reductions in economic development programs including the Qualified Targeted Industry Tax Credit program and the High Impact Project Initiative. Additionally, the House budget recommended less than the Governor's budget for the Quick Action Closing Fund and the Innovation Fund

(which has been used this year to support three high profile projects to be located in Florida: Torrey Pines, Burnham Institute for Medical Research, and SRI International).

The Senate budget for economic development effectively combines and increases recommended funding for the Quick Action Closing and Innovation funds. However, operating funds for Enterprise Florida were reduced by \$2 million dollars.

The international affairs budgets were more encouraging, with funding recommended at the current year levels. The House budget proposes current-year funding levels (\$1 million dollars) for Enterprise Florida's Grants for International Programs and provides \$1.9 million dollars for the International Business Expansion Program. The House did remove a proposed grant for Haiti. In the Senate, the Enterprise Florida Grants for International Programs and the International Advocacy programs (including the Haiti Initiative) are fully funded at the current-year levels.

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.