



WEEKLY LEGISLATIVE UPDATE FROM MARCH 7, 2008

Week 1 of the 2008 Legislative Session is in the books. It began on Tuesday with the typical pomp and circumstance of the beginning of any session. House Speaker Marco Rubio (R-Miami) and Senate President Ken Pruitt (R-Port St. Lucie) both delivered their customary speeches on Tuesday morning. Governor Charlie Crist; on the other hand, broke with tradition and delivered his State of the State address during primetime on Tuesday evening.

Most of the attention this week was focused on the budget with both chambers passing their respective budget cuts. Conference committees were appointed and most issues have been resolved.

In addition to tracking legislation, the AIF lobby team has also been monitoring the Taxation & Budget Reform Commission which held meetings Thursday and Friday of this week. The TBRC will be meeting on the following dates:

- March 17th – Consideration of Property Tax Proposals
- March 26th – Continuation of Property Tax Proposals (if necessary)
- April 4th
- April 24th – Final Votes
- April 25th – Final Votes
- May 2nd – Final Day for TBRC

Taxation & Budget Reform Commission

The Government Procedures & Structure Committee of the Taxation & Budget Reform Commission (TBRC) met on the morning of Thursday, March 6th to discuss and vote on several proposals of interest to the business community. The first proposal discussed was CP 22 Relating to the Affordable Housing Trust Fund by Commissioner Darryl Rouson. If approved, CP 22 would place an amendment on the November ballot that would create two new trust funds, the State Affordable Housing Trust Fund and the Local Government Affordable Housing Trust Fund. The proposal also provides for distribution of 4.85% of documentary stamp tax receipts to the State Affordable Housing Trust Fund and 11.34% of documentary stamp tax receipts to the Local Government Housing Trust Fund.

The amendment also directs the Legislature to appropriate all funds deposited in the State Affordable Housing and Local Government Affordable Housing trust funds annually for affordable housing purposes. The trust fund balances not appropriated during a fiscal year are to be appropriated for the following fiscal year.

CP 22 was passed by the Committee, but several commissioners expressed their concerns with tying the Legislature's hand by placing these trust funds in the Constitution.

CP 22 will now be considered by the full TBRC.

Affordable workforce housing is critical to the business community. AIF is part of the Sadowski Trust Fund Coalition (a group of businesses, associations, and community groups) that is striving for the removal of the existing cap on the Affordable Housing Trust Funds. AIF commends Commissioner Rouson's for bringing his proposal forward, but AIF does not support placing a trust fund in our State's Constitution.

The Committee also passed CP 21 Relating to Property Taxes by Commissioner Carlos Lacasa. CP 21 proposes an amendment to the State Constitution to provide an exemption for non-homestead improved residential property equal to a percentage of the just value of the property after the first \$50,000. The proposal provides an additional homestead exemption and limits the annual increases in assessments for non-homestead real property. In addition, a temporary increase in the state sales tax rate (half of a cent) is provided to address reductions in ad valorem taxes associated with the constitutional proposal, if passed by the electors.

CP 21 will now be considered by the full Taxation & Budget Reform Commission.

AIF supports the concept of lowering the property tax assessment cap for businesses to 5% and believes that more must be done to deal with the inequities in the system created by Save our Homes. Capping assessments at 5% will ensure lower property tax bills for businesses in Florida. We look forward to working with Commissioner Lacasa as his proposal moves forward.

Also on Thursday, March 6th the Planning and Budgetary Process Committee of the TBRC approved CP 45 Relating to State and Local Revenue Limitations by Commissioner Mike Hogan. The proposal sets out to limit spending increases by state and local government by capping revenues at the rate of inflation adjusted by population. Ad valorem revenue increases are limited by the rate of inflation plus changes in property values.

During his presentation Commissioner Hogan stated that taxpayers are near a revolt about high taxes in Florida and most existing tax proposals are simply shifting tax burdens. He said that over the 5 year period from 2001 to 2006 of the 67 counties:

- 18 increased taxes over 100%,
- 27 increased taxes over 75%,
- 15 increased taxes over 50%,
- 14 were just under 50%.

Major changes to CP 45 adopted by the Committee included an amendment, which allows, by a three fourths vote of the governing body, an increase in the revenue limitation for a period not to exceed ten years. An amendment was also approved, which stipulates that a government may not increase a fee except upon approval by a three-fourths vote of the membership of the governing body.

Another controversial amendment was adopted that carved out an exemption from the revenue cap for the city of Jacksonville because Jacksonville and Duval County have a consolidated form of government and have been very efficient in keeping taxes low (they have the lowest millage rate in the state).

After some public testimony Commissioner Mike Hogan moved to reconsider the vote by which the Jacksonville exemption amendments had passed. The motion was accepted and the amendments were withdrawn.

CP 45 passed by a 6 to 4 margin and will now be considered by the full TBRC.

AIF was been closely monitoring CP 45, since it is a proposal that may bring some additional property tax relief to business owners across the state.

On Friday, March 07, 2008 the full TBRC was scheduled to meet in Tallahassee to vote on series of proposals. Unfortunately, because of bad weather across the state the Commission was two members short of the required 17 votes it takes to pass a constitutional proposal. The Commission also has the power to pass statutory recommendations to the legislature, but these only require 13 affirmative votes for passage.

The Commission was able to pass SR 29 Relating to Sales Tax Exemptions Review by Commissioner Randy Miller. SR 29 creates a joint legislative committee to review sales tax exemptions. The committee must review exemptions over three-year periods for conformance with the principles of equity, compliance, pro-competitiveness, neutrality, stability, integration, and public purpose. As a result of this review, the committee must make findings of fact and recommend whether each exemption should be retained, modified, or repealed. Bills to repeal or modify an exemption must be submitted to a vote in each house of the Legislature without reference to a committee. The bills may address only the subject of a single exemption.

Two amendments were presented, but ultimately withdrawn by their sponsors, which would have carved out specific industries' exemption from the potential to be reviewed. The two industries were manufacturing and assisted living facilities. Commissioner John McKay expressed his distrust of the legislature saying that in recent years the Legislature has been reluctant to hold a review of exemptions. Commissioner McKay believes that a Constitutional proposal should be passed, which would force the Legislature to perform a sales tax exemption review.

AIF supports the review of existing sales tax exemptions by the Legislature. AIF is opposed; however, to a constitutionally-mandated repeal or sunset of these exemptions because of the danger of exemptions being repealed without a proper vote or discussion on their merit. There are hundreds of exemptions that ensure that businesses in Florida remain competitive with our neighboring states, and prevent tax pyramiding.

Insurance

On Thursday, March 6 the House Insurance Committee Passed HB 269 by Repetitive Alan Hays (R-Umatilla), Relating to Hurricane Preparedness and Insurance. The bill creates “The Citizens Property Insurance Corporation Mission Review Task Force” consisting of industry and consumer experts to develop a plan to return Citizens to its original mission as an insurer of last resort. The funding for a similar task force was vetoed by the Governor in 2007.

The creation of this task force will begin the process of reducing businesses’ exposure to hurricane taxes to fund Citizens deficits. HB 269 will now be heard by the House Policy & Budget Council.

AIF supports this legislation because it begins to develop strategies for curbing artificially suppressed insurance rates and the irresponsible expansion of Citizens Insurance Company, a government-administered insurance company that should be an insurer of last resort not the states primary insurance coverage.

Secondary Metal Theft

On Wednesday, March 5th the Homeland Security and Public Safety Committee unanimously passed HB 799 Relating to Theft of Copper or Other Nonferrous Metals by Representative Sandy Adams (R-Oviedo). Repetitive Adams explained that the bill provides that a person who knowingly and intentionally takes copper or other nonferrous metals from a utility or communications service provider commits a first degree felony if the theft damages, interrupts or interferes with the facilities or service of a utility or communications service provider.

Repetitive Jennifer Carol (R-Jacksonville) and Repetitive Luis Garcia (D-Miami) commended the bill’s sponsor for bringing forth such an important and good bill.

HB 799 will now be considered by the House Safety & Security Council.

HB 799’s Senate Companion, SB 1384 by Senator Charlie Dean (R-Inverness) was unanimously passed by the Senate Communication and Public Utilities Committee on Thursday, March 6th. The bill provides for a first degree felony for the theft of copper or other non ferrous metal that causes utility or communications service to be interrupted, damaged or interfered. One amendment to the bill was adopted, which narrowed the definition of a “utility” to providers of gas and electric service. This amendment made the bill identical to its House companion.

Senator Arthenia Joyner asked Senator Dean to explain the difference between service “interference” and service “interruption.” Senator Dean answered with an example of a company having to intermittently turn service off while replacing the wiring necessary to permanently restore service. This would be considered interfering with the service, since it was not totally interrupted.

Senator Mike Bennett (R-Bradenton) stressed the importance of the bill and stated that he wished they were going further with the bill. Senator Evelyn Lynn (R-Ormond Beach) agreed and expressed her feelings that anyone who interferes with critical services not only causes costly damages to a business, but also causes problems for customers who need to call 911 or have an emergency.

AIF and Floridians for Cooper & Metal Crime Prevention support these bills because of their potential to curb the practice of secondary metal theft. Utility and communications interruptions lead to costly repairs, but more importantly they have the potential to call into question the public safety of Florida’s residents.

Education and Workforce Development

On Tuesday, March 4th the House Education K-12 committee unanimously approved to introduce a proposed council bill for enhanced curricular sunshine state standards, which is a priority bill of Speaker Rubio, the State Board of Education, and AIF. Repetitive Anitere Flores (R-Miami) presented the bill which requires DOE to upgrade our current standards by making them more rigorous and grade specific for the core subjects (math, language, science). Additionally, the bill adds standards in other important subjects such as civics and even physical education. The Enhanced Curricular Standards bill hopes to strengthen Florida’s education accountability system by adding social studies to the FCAT, exploring some end of course exams, and pushing back the FCAT testing date to later in the school year.

AIF's President and CEO Barney Bishop attended the meeting and testified in support of the bill stating that "the business community depends on a solid K-12 education system that produces high school graduates that are ready to enter the world of work and pursue higher education. Our vision for Florida's K-12 education system is simple: every teenager who graduates from high school with a meaningful high school diploma will have that to serve as a public guarantee that the student is able to read, write, and compute at a level which will be useful to an employer. Just like with the products and services we produce and create, we depend on the high school diploma to consistently equate to a certain level of student achievement. In addition to reading, writing, and math, the high school diploma should mean to a potential employer that it's holder is able to locate information, manipulate it, and share it via technology; operate as a citizens in society (understand government and vote); and understand human relations in an ever shrinking world (be culturally literate in arts, language, etc.) The 21st century "innovation" economy depends on students who can compete not only in our state, but in a global workforce."

AIF supports raising the rigor of high school education to better prepare students for transition into higher education and better align their skills with the needs of the 21st century workforce.

Infrastructure

On Wednesday, March 5th the House Environment & Natural Resources Council unanimously approved HB 199 relating to desalination technology by Repetitive Kurt Kelly (R-Ocala), which would require a joint study to be made by the Secretary of the Department of Environmental Protection (DEP) and the five water management districts to review all current and available desalination technologies. The study must include an analysis of existing desalination projects in the state and make recommendations for a plan to implement desalination technologies that are environmentally and fiscally sound. This will help water management districts determine whether to use desalination projects in the future. The study and plan recommendations must be submitted by June 30, 2009.

Keyna Cory, Chief Lobbyist for AIF, spoke in support of the bill. AIF has placed alternative water supply funding and programs as a priority issue. Water planning and economic development should go hand in hand.

The bill now goes to the House Policy and Budget Council.

Also, the House Environmental and Natural Resources Council approved HB 547 relating to water pollution control by Repetitive Paige Kreegel (R-Punta Gorda). This legislation will set up a trial water quality credit trading program for the Lower St. Johns River Basin.

According to the staff analysis "*Water quality credit trading is a voluntary, market-based approach to promote protection and restoration of Florida's rivers, lakes, streams and estuaries that enhance other voluntary, regulatory and financial assistance programs already in place.*"

This legislation has the potential to benefit businesses in Florida because trading could lead to reduce the costs of pollutant reduction activities to businesses, industries, agriculture, and all taxpayers.

HB 547 will now be considered by the House Policy & Budget Council

AIF supports full funding of alternative water supply programs and will continue to work with the Florida Water Alliance and the Legislature to ensure that these vital programs are continued.

Economic Development

On Thursday, March 6th the Senate Environmental Preservation and Conservation Committee unanimously passed SB 432, Relating to Artificial Reefs/Placement of Vessels, by Senator Mike Bennett (R-Bradenton). This piece of legislation would allow Florida to participate in the sinking of decommissioned naval vessels, as a tourist attraction, by providing for a state matching grant to do so. In addition, the matching grant, administered by the Fish and Wildlife Conservation Commission, may be used for the reconditioning, towing and sinking of such vessels in Florida.

In 2006, the USS Oriskany was sunk off the coast of Pensacola, generating \$2 million in economic activity to Escambia County and a total of \$3.6 million for the area, creating almost 67 new jobs. This was generated by fishing and some 4,200 charter diving trips around the vessel.

SB 432 will move to the Senate Community Affairs Committee.

AIF will continue to monitor and support this piece of legislation as we look for creative and efficient ways to stimulate Florida's economy.

Repetitive Will Weatherford (R-Zephyrhills) presented HB 293 Relating to Corporate Income Tax Credits/New Market Tax Credits, to the House Economic Development Committee on Thursday, March 6. The bill was unanimously passed with little objection.

The bill seeks to take advantage of almost \$60 billion in federal funding by creating a program that would leverage state dollars towards available federal dollars for investment into Florida's fledging communities. This legislation makes the state more attractive to national investors, who are deciding where to invest funds raised under the federal New Markets Tax Credits program. In addition, the legislation is modeled after other states who have successfully taken advantage of the federal program.

HB 293 will now be heard by the House Economic Expansion and Infrastructure Council.

AIF supports efforts to draw down federal dollars for economic development in low-income areas of the state through innovative proposals such as the New Markets Tax Credits Program.

In addition, the committee also unanimously passed two other pieces of legislation on March 6, 2008, that are important to AIF. HB 733, Relating to Tax Credit for Research and Development Expenses, by Repetitive Mike Grant (R-Port Charlotte) creates the Florida research and development tax credit for businesses engaged in research and development activities. The other important piece of legislation is HB 593, Relating to Florida Research Commercialization Matching Grant Program, which was introduced by Repetitive Steve Precourt (R-Winter Garden). It will create the Florida Research Commercialization Matching Grant Program to assist small or start up companies in their quest to capitalize on Florida's homegrown research community in the commercial market. Both bills passed unanimously and will head the House Economic Expansion and Infrastructure Council.

AIF supports continued state funds being made available for enhancing economic development, creating incentives for new business locations and innovative employers looking to relocate in Florida.

Energy

On Wednesday, March 5th the House Energy Committee held a workshop on this year's energy package. PCB ENRC 01 contains a number of provisions that include many of the recommendations from the Governor's Climate Action Team, the Florida Energy Commission and segments of the omnibus energy bill that passed both the House and Senate last year, but ultimately was vetoed by Governor Crist. At the beginning of the meeting Chairman Paige Kreegel (R-Punta Gorda) informed committee members and those in the audience that his plan was to continue to workshop the very complex bill next week. He expects committee members to propose amendments and finally vote on the bill during week 3 of session before sending the bill to the Environment and Natural Resources Council.

Some of the bill's provisions discussed during today's meeting of interest to the business community include:

- **Sales, Rental, Use, Consumption, Distribution and Storage Tax Exemption for Renewable Energy Technologies:** revises the definition of "ethanol" to mean those fuels produced by conversion of carbohydrates rather than produce by the fermentation of plant sugars; this new definition would allow the inclusion of "cellulosic ethanol." Cellulose is the structural material that comprises much of the mass of plants.
- **Renewable Energy Technologies Investment Tax Credit:** authorizes companies or entities that receive a tax credit for the purchase or installation of a renewable energy technology to sell this tax credit if they don't have a use for it.
- **Energy Conservation and Sustainable Buildings:** establishes intent language relating to the need to build energy-efficient, state-owned buildings that meet environmental standards using sustainable materials.
- **Climate Friendly Public Business:** requires the Department of Management Services to develop a "Florida Climate Friendly Preferred Products List" and provides that when procuring new vehicles, state entities shall select the vehicle with the highest fuel efficiency available.

On Thursday, March 6th the Senate Environmental Preservation & Conservation Committee held a workshop on SB 1544 Relating to Energy by Senator Burt Saunders (R-Naples) – this is the Senate's version of the energy package. Secretary Sole was on hand to walk committee members through the complex bill.

Many of the Committee members asked questions regarding the cost and impact of these sweeping changes on existing businesses and residents in Florida, since many of the goals and standards outlined in the bill for emissions and usage of renewable energy are extremely aggressive. Another issue that Committee members expressed concern over had to do with energy policy governance. Currently, Florida has a number of state entities that are involved with energy policy including the Public Service Commission, the Florida Energy Office, as well as the Florida Energy Commission and the Governor's Climate Action Team. Proposals are being considered that would establish a permanent Florida Energy Commission, which was created by the Legislature last year but was intended to be a temporary entity.

Governor Charlie Crist surprised Committee members and those in the audience by appearing at the meeting. He briefly took the podium to congratulate Secretary Sole on the job DEP has done to move his recommendations forward and urged committee members to support the bill. Chairman Saunders informed the audience that the bill would be available as of Noon on Monday and that the Committee would be considering and voting on amendments next week. It is Chairman Saunders's intent to vote on the bill by week three of the 2008 session.

AIF and its Florida Energy Council recognize the importance energy plays in keeping Florida's economy healthy and vibrant. Any recommendations considered in the formation of Florida's energy policy should allow for reasonable implementation, should support efficiencies and should ensure that undue mandates and costs are not placed on Florida's businesses and consumers, thereby creating a unilateral economic disparity. Florida should ensure that every effort is made to undertake a balanced approach that avoids unrealistic requirements on energy producers and suppliers.

The Senate Agriculture Committee unanimously passed SB 310 Relating to Biomass Energy Production by Senator Lee Constantine (R-Altamonte Springs) on Thursday, March 6. Among the many provisions of the bill, SB 310 renews the "Farm-To-Fuel Grants" program which provides matching grants for bioenergy projects. It establishes incentive programs for biofuel retail sales and production of biofuels from biomass produced in the state. It also provides for additional increase of \$1 million per year to \$2 million on sales tax refunds for materials used in the distribution of biodiesel and ethanol.

Businesses that purchase these qualifying materials will benefit from being able to obtain a refund of sales taxes. Grant recipients and sellers and producers of biofuels will benefit from the grants and financial incentives if they meet the criteria and if funds are appropriated.

SB 310 will now be heard by the Senate Communication and Public Utilities Committee.

AIF supports efforts to secure funding assistance for companies looking to commercialize renewable energy technologies for the production of ethanol and biodiesel and for basic research out our universities.

Health Care

On Tuesday, March 4th the Senate Banking and Insurance Committee approved SB 164 Relating to Mental and Substance-Related Disorders by Senator Victor Crist (R-Tampa). The bill would require that the health insurance benefit limits for mental health conditions be the same as for medical conditions. Senator Crist told committee members that similar legislation implemented in other states had not resulted in higher premiums. However, insurers disagreed and said state to state comparison was difficult due to the wide disparity in other states' proposals and their demographics. The Committee's own interim project reported that the majority of studies reviewed for the project showed an expected increase in premiums between 1 to 3 percent, even if the benefits are allowed to be managed.

The bill will now be heard by the Senate Health Policy Committee. Its final stop is in General Government Appropriations, chaired by Senator JD Alexander (R-Winter Haven). Senators Mike Bennett (R-Bradenton) and Al Lawson (D-Tallahassee) also sit on this committee, which will take a much closer look at the fiscal impact of this bill.

AIF consistently opposes additional mandated coverages because the resultant cost increases could force some insurers out of the market and price health care insurance out of the reach of many employers and businesses.

Business Regulation

On Wednesday, March 5th the House Environmental and Natural Resources Council, Chaired by Repetitive Stan Mayfield (R-Vero Beach), heard a bill important to AIF and our efforts to help stimulate the economy.

HB 147 Relating to Expedited Permitting Process for Economic Development Projects by Repetitive Rob Schenck (R-Spring Hill) requires the state Department of Environmental Protection (DEP) and water management districts to create a thirty-day expedited permitting process for businesses that have been identified as a target industry business by the state Office of Tourism, Trade and Economic Development. HB 147 was filed to help assist businesses through the often frustrating task of getting wetland or storm water permits.

After some discussion with members who had expressed some concerns with the bill, Repetitive Schenck offered an amendment that was approved by the council, establishing DEP and water management districts' timeline to a 45 day approval process. This amendment will allow DEP and the water management districts the ability to appropriately review and approve or deny permits, while maintaining a responsible response time to businesses looking to locate in an area and create jobs. The bill passed the council with only Repetitive Scott Randolph (D-Orlando) voting against the compromise measure. The bill now goes to the House Policy and Budget Committee before heading to the House floor.

AIF supports legislation aimed at improving the permitting process for existing businesses in Florida and for those companies looking to invest in our state. Any legislation that helps this process will have a dramatic effect on helping to stimulate our economy.

Space

More than 70 business leaders in the Space Industry traveled to the Capitol on Thursday, March 6th to encourage members of the Florida Legislature to keep their focus on space and the economic development opportunities it has brought and continues to bring to Florida.

In joint appearances today before the House Economic Expansion and Infrastructure council and the House Economic Development Committee, leaders of the space industry told lawmakers that up to 3,500 jobs will be lost at Kennedy Space Center when the Space Shuttle program ends in 2010. This will have a significant impact on the nearly \$4 billion that NASA pumps into the Florida economy and the 20,000 off-site jobs in businesses and support services that support the Space Shuttle program.

Barney Bishop, President and CEO of Associated Industries of Florida testified in support of the space industry. AIF has taken the lead in supporting the Space Industry, and has called for the Legislature to pass an economic stimulus package that includes more investment in the aerospace and high technology sectors.

AIF supports full funding of Space Florida and other space-related programs. Additionally, AIF supports proposals such as the Commercial Space Launch Act and the Space & Aerospace Development Infrastructure Enhancement (SADIE) Act. Investing in space leads to more jobs, a high-skilled workforce, and great economic activity.

Environment

The Senate Environmental Preservation and Conservation Committee unanimously approved SB 692 Relating to Recycling by Senator Dennis Jones (R-Seminole) on Thursday, March 6th. This bill would require any business, organization, association or institution operating in the state and who receives state funds to collect aluminum beverage cans and recyclable plastic and glass at all locations where the business, organization, association or institution operates or does business and to offer the materials for recycling. It also mandates that all airports operating in the state shall recycle the same materials.

Though Senator Jones' intention are well meaning, there are many problems with this legislation. If a recycling center is not conveniently located, businesses may spend more money transporting the recyclable materials, than what they would get for the items. For example, one pound of aluminum is worth 60 cents – it takes 22 cans to make a pound. Storage problems may exist for the business to hold the recyclable materials until they get enough to make their trip to the recycling center worthwhile.

AIF will continue to work with the bill sponsor to see if there can be a compromise. Recycling is good for the environment and the economy, but appropriate steps must be taken first before establishing any sort of mandate.