



From January 15, 2008

Last week was an extremely busy one for legislators and lobbyists as both the House and Senate held committee meetings and listened to presentations from agency heads and staff on their 2008 legislative proposals. The main topic of conversation in the halls is the projected deficit in the state's budget. According to the state's economist there is currently a \$2 billion dollar hole in the state's budget. Speaker Marco Rubio (R-Miami) has added an additional committee week (February 11th – 15th) for the purpose of budget cutting and directed that a bill to make immediate cuts be passed in the first week of the regular session (1st week of March).

In response to the bleak economic picture, AIF and 16 other business associations testified in support of an Economic Stimulus Package designed to kick-start the state's sagging economy at a meeting of the House Policy and Budget Council. Coverage of this event is included in this week's report. In addition, the Governor has also come out with an economic package of his own that stresses Florida's Innovation Economy. AIF and other members of the business community were present at the unveiling of this plan.

Towards the end of the week, Senators Jeff Atwater (R-North Palm Beach) and Steven Geller (D-Hallandale Beach) announced the creation of a Select Committee on Property Insurance Accountability. The purpose of this committee will be to bring Insurance Company executives before members of the Senate to explain why the cost of property insurance has not gone down for Floridians as a result of last year's property insurance reform bill, HB 1A. This Select Committee is sure to set a dangerous precedent for the business community as CEOs are expected to be placed under oath during these proceedings.

Economic Stimulus Package

On Tuesday, January 8th 16 other business associations joined Associated Industries of Florida in support of an "Economic Stimulus Package" designed to kick-start Florida's economy. The package was unveiled at a meeting of the House Policy and Budget Council. The package, which contains eight different recommendations, is designed to help Florida position itself for success during these difficult economic times. The recommendations are anchored around one-time infrastructure investments in roads, water projects, schools, affordable housing, and ports. The package also encourages the Legislature to expand investments in Florida's research institutions, its space program, and marketing for domestic and international tourism.

View a copy of the Economic Stimulus Package and other materials associated with Barney Bishop's testimony at the meeting of the House Policy and Budget Council.

Property Insurance

On Tuesday, January 8th Deputy Insurance Commissioner Belinda Miller testified before the Senate Banking & Insurance Committee regarding property insurance rate filings and premium discounts for hurricane loss mitigation. In an effort to reduce property insurance rates, the 2007 Property Insurance legislation substantially increased CAT Fund reinsurance coverage well below market rates. The legislation required insurers to file new rates reflecting the impact of this coverage. Deputy Commissioner Miller reported that insurers with market share of approximately 18% have decreased rates by an average of -22% with a range of -1% to -43%. In addition to the approval of these filings, Deputy Commissioner Miller reported that Florida's largest private insurance company, State Farm, with a market share of 18%, submitted a filing for a 9% reduction, which was approved. She also reported that the Office of Insurance Regulation (OIR) has disapproved filings for insurers with market share of approximately 32.5%. The rate requested by the insurers for the disapproved filings averaged an increase of 12.8% with a range of -21% to +50%. Many of the disapproved filings are currently being litigated.

Several of the Senators on the Committee expressed disappointment that the additional CAT Fund coverage did not result in across the board savings and called for additional hearings to examine the reasons provided by insurers as to why the decreases did not meet expectations, and in some cases, why increases are necessary.

On the positive, Deputy Commissioner Miller reported that hurricane mitigation inspections and retrofitting have resulted in substantial property insurance premium discounts.

Taxation

TBRC

The Taxation and Budget Reform Commission continued its meetings last week. The committees met before the full commission meeting to review additional proposals and discuss different issues facing them.

On Thursday, January 10th, the Governmental Services Committee considered GS B by Commissioner Randy Miller, which would establish a statewide ad valorem tax millage limit for water management districts. This would increase the millage rate for the Northwest Florida Water Management District from .05 to 1.0 mill. The legislature has repeatedly tried to pass legislation that would create this increase, but it has been unsuccessful. The proposal was unanimously approved and the proposal will come back to the committee with a staff analysis.

The Committee will also prepare a committee proposal to readdress the topic of class size reduction in Florida's constitution. There was much testimony about the issue. Representatives from the Teachers' Union support addressing the issue in statute, but not as another constitutional amendment. Other education stakeholders seemed hopeful, but not confident about a statutory fix and urged the committee to move forward with a constitutional amendment. The committee will consider the proposal at its meeting next week.

Also, on Thursday the Senate Finance and Taxation Committee considered a constitutional amendment proposal and a statutory proposal by Senator Gwen Margolis (D-Miami Beach) that would limit the assessed value of property if improvements for hurricane mitigation or energy efficiency have been made. Both passed unanimously.

They also approved a proposed constitutional amendment that requires the Legislature to provide by law for an ad valorem tax exemption for real property used for conservation purposes. The Legislature must define "conservation purposes." Commissioner Brian Yablonski sponsored this proposal.

The Finance and Tax Committee also had a workshop on a proposed constitutional amendment requiring a legislative review of all sales tax exemptions by 2010. Vicki Weber presented for the Coalition to Protect Florida's Economy representing approximately 20-business associations including AIF. She indicated that most members of the group support a full review of exemptions, but the Coalition does not support a sunset of any exemptions. Weber also told the Committee members that the Coalition does not support a new tax on services. Jose Gonzalez testified on behalf of AIF warning commission members about the dangers of a services tax, especially for small business owners that rely on all kinds of services (CPAs, graphic design, etc.) for doing business.

The Planning and Budgetary Process Committee met on Friday January 11, 2008. Chairman Carlos Lacasa called the meeting to order and announced that remarks by Alex Sink, Chief Financial Officer, and presentation by Jim Cassady, Chief of Staff, on the Local Government Investment Pool and Division of State Treasury would be postponed.

The next item on the agenda was consideration of CP0022 by Commissioner Darryl Rousan, which is a proposal to the State Constitution to create the State Affordable Housing Trust Fund and the Local Government Trust Fund and provide for the deposit and appropriation of funds related to the trust funds.

Commissioner Rouson explained that the resolution required the legislature to appropriate the total amount collected by the excise tax on documents to the two trust funds without the debt service and appropriations administrative fee. It also eliminated any cap that has been imposed by the legislature in the past.

The Constitutional Proposal created quite a lot of discussion by the Commissioners.

Mr. Trey Price with the Florida Association of Realtors testified in support of the proposal as did Mr. Doug Buck with the Florida Home Builders Association. Mr. Buck stated that he would rather do this by statute than put it in the constitution, but it was too important not to do. Both answered technical questions from Commissioners regarding the resolution.

Commissioner Greg Turberville explained that when the housing boom was increasing the value of homes and the number of sales of homes that the revenues derived from the excise tax on document stamps increased dramatically. As a result the legislature put a cap on the amount of revenues that would go to the various trust funds, which the doc stamps funded.

This helped most Commissioners understand the reason behind the cap even though, Commissioner Rouson pointed out in his initial explanation that one of the objectives of putting the issue in the Constitution was to prevent the "political" actions that had taken place in the past.

In debate, Commission Turberville said he did not want this in the Constitution even though he agreed with the need to help with affordable housing. He would support the proposal, but may not when it comes before the entire TBRC.

Commissioner Jacinta Mathis said she agreed with the proposal but would rather it be a statutory proposal. She did not believe this type of issue should be in the Constitution. She also said she would vote for it, but may not at the TBRC.

Commissioner Mike Hogan agreed with it not belonging in the Constitution and he further did not like the fact that the resolution required all of the collections to go into the two affordable housing funds without paying debt service or the appropriations administrative fee like the other trust funds funded by this tax must. It forced those funds to lose some funding because they would be paying a larger share of the debt and administrative fee.

Chairman Carlos Lacasa said the legislature's sweeping of trust funds is a bad thing but he did not believe this provision should be in the Constitution. Moreover, he wants it to sunset, perhaps after 5 years. He agrees with Commissioner Mike Hogan that the other funds should not be penalized.

CP0022 passed unanimously. The next meeting of the Committee will be January 25th.

The entire Taxation and Budget Reform Commission (TBRC) met on Friday, January 11, 2008. Each committee chair gave a brief summary of their meetings this week. There were no questions from the other Commissioners and Chairman Allan Bense commended each committee for their good work on the issues before them.

At that time the Chair asked Commissioner Jim Scott to introduce the recommendation of the Ad Hoc Committee on Ballot Summary issues. Commissioner Scott stated that SR0011 simply removes the statutory requirement of a maximum of 75 words from the constitutional revisions submitted by the TBRC and the Constitution Revision Commission (CVC). He said that the restriction was created because the old ballots had space limitations.

Commissioner Martha Barnett asked if the change would affect all constitutional amendments on the ballot. Commissioner Jim Scott said no, only amendments submitted by the legislature, CVC, and the TBRC. Current law allows for only the revisions submitted by the legislature to exceed the 75-word limit. SR0011 would add the CVC and the TBRC. SR0011 was passed unanimously by the Commission.

Senate

The Senate Finance & Tax Committee met on Thursday, January 10th and heard bad news on Florida's economic front. Staff Director Alan Johansen told the committee members that there are some dark spots and bright spots in the economy. The dark spots include falling housing prices, lack of sales and new construction; credit markets; rising energy costs and consumer and business confidence. On a more positive note, exports are strong and we have falling interest rates thanks to the Federal Reserve actions and the resiliency of the US economy.

Florida is down in its total sales tax collections and has been down for two consecutive years, something that has not happened since 1970. Much of the decline of sales tax revenue is due to a depressed real estate market. Home prices have dropped more in Florida than in most other states; housing starts have fallen two-thirds of where they were two years ago; and home sales have drastically dropped 30% in 17 or the 18 major metropolitan markets. Declining home sales and falling prices have significantly impacted state revenues. According to Johansen, Florida real estate prices rose sooner, faster and longer (than the rest of the nation), and are falling farther and harder.

Florida's general revenue fund receives almost 75% of its money from sales and use tax. Total General Revenue available to the legislature next year to set the budget will be approximately \$4 billion below what was available to spend in fiscal year 2007. Johansen predicts that the state revenues collection will resume normal growth in 2009.

The Committee also discussed sales tax exemptions. Vicki Weber, representing the Coalition to Protect Florida's Economy, which AIF is a member of, gave a presentation to the committee about sales tax

exemptions. Mrs. Weber told the committee that Florida is generally perceived as a low tax state due to personal taxation. However, Florida is really above the national average in business taxes as percent of private sector gross state product. Florida is at 5.4% whereas the national average is 4.8%. The Coalition and AIF do not oppose a formal review of all exemption. The Legislature can already review them at any time and have done so at least twice over the last 20 years. What the Coalition and AIF oppose is the automatic taxation without an affirmative vote of the legislature. There are proposals to sunset (or eliminate) all sales tax exemptions until the legislature re-enacts them and we are opposed to that method of review.

Chairman Mike Haridopolos (R-Melbourne) announced that the committee would continue to review sales tax exemptions and the streamlined sales and use tax proposal next month.

Secondary Metal Theft

There is a growing problem with copper and metal theft and it is affecting businesses and individuals everywhere. HB 105 by Representative Baxter Troutman is designed to help stop this spreading crime by requiring secondary metal recyclers or scrap metal dealers to gather more in depth information about the sellers of copper wire and other metals in an effort to help law enforcement to catch these thieves. It also increases penalties on sellers of these metals for giving false information to the scrap metal recyclers.

AIF is a member of the Floridians for Copper & Metal Theft Crime Prevention and is helping to coordinate the broad based coalition of over 30 businesses and associations who have been affected by this crime. AIF Chief Lobbyist, Keyna Cory, testified in support of the legislation during the House Safety & Security Council. She told the Council members that these thieves are stealing copper wire from construction sites, digging up underground telecommunications wires, cutting utilities wires and even stealing beer kegs!

HB 105 received unanimous approval by the House Safety & Security Council last Wednesday and is now ready to be considered by the House Policy & Budget Council.

AIF supports HB 105 and would like to thank Rep. Baxter Troutman (R-Winter Haven) for filing this legislation to help law enforcement find these thieves and make it harder for them to unload their stolen goods. If they cannot easily sell the goods, they will stop. We would also like to thank the following co-sponsors: Representatives Jennifer Carroll (R-Jacksonville), Luis Garcia (D-Miami Beach), Denise Grimsley (R-Sebring), Gayle Harrell (R-Port St. Lucie), Matt Hudson (R-Naples), Kurt Kelly (R-Ocala), Dick Kravitz (R-Jacksonville), Seth McKeel (R-Lakeland), Dave Murzin (R-Pensacola), Mitch Needelman (R-Melbourne), Ron Reagan (R-Sarasota), Julio Robaina (R-Miami), William Snyder (R-Stuart) and Jim Waldman (D-Pompano Beach).

Environment

The House Committee on Environmental Protection unanimously voted in favor for HB 199 Relating to Desalination Technology by Representative Kurt Kelly (R-Ocala) on Wednesday, January 9th. This bill requires the Department of Environmental Protection (DEP) to conduct a study to examine all current and available desalination technologies in coordination with the five water management districts. This study will include an analysis of existing desalination projects in the state and recommendations for a

plan to implement desalination technologies that are environmentally and fiscally sound. With this information it will let the state know which desalination projects would be the best to provide the long-term potable water supply demands of Florida. DEP will have until June 30, 2009 to complete the study.

As AIF Chief Lobbyist Keyna Cory said in her testimony, this is also an economic development issue. "You cannot grow responsibly without planning for water ... you can not build roads, schools or hospitals without water. We must continue to plan for the future by looking to new technologies for alternative water supply programs. Desalination is part of the plan."

AIF supports HB 199. This study will help determine the type of desalination projects that would be the best for Florida. Desalination is an important component in the overall alternative water supply program. We particularly like the concept of the study considering technologies that are both environmentally and fiscally sound.

Health Care

On Tuesday, January 8th the House Health Innovation Committee had the Agency for Health Care Administration (AHCA) present on the history of Certificate of Need (CON) process in Florida. The CON process is regulatory review process that requires health care providers to obtain prior authorization before offering new or expanded services. The CON process has existed in Florida since the early 1970s and has gone through several changes over the years. Despite rumors that the Governor's office is working on a proposal to eliminate CON for hospitals, Chairman Rene Garcia (R-Miami) said that his committee has no plans to rewrite the CON laws.

AIF and its newly created Florida Hospitals Council (FHC) are opposed to doing away with the CON process. The CON process in Florida assures that health care providers offer the very best in treatment and service and that unnecessary duplication of services and facilities is avoided.

The House Healthcare Council reviewed the budget situation and its impact on future healthcare spending. Florida is expecting a deficit for the next 2 years. The Healthcare Council expressed a lot of apprehension about the projections on the deficit and what the potential savings are going to be. They are still looking at provider reimbursement cuts and the potential elimination of specific services (none were specifically addressed and would not include providers that have already been reduced)

The Committee set up criteria for determining cuts to base budget. It will review the programs based on the following:

- Activities greater than \$1 million;
 - Activities not reviewed in past five years;
 - Activities outside the Agency's core mission;
 - Activities with performance concerns or does not have broad public benefit.
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Economic Development

The House Committee on Tourism and Trade chaired by Representative Bill Proctor (R- St. Augustine) met on Thursday, January 10th and received updates from *Visit Florida* and *Enterprise Florida, Inc.*, Florida's government agencies on economic development, tourism, and international trade. Florida is the nation's leader in exporting goods to the Caribbean and the Governor's Office and the Legislature have created and funded various departments and programs to support and grow these areas for our state's economy.

Visit Florida (www.visitflorida.com), the state's advertising arm to promote Florida as a tourist destination, has recently begun a new ad campaign that was designed after input from the tourism industry, advertising executives and focus groups, to give Florida a fresh new appeal to visitors from other states and abroad and ultimately to solidify and enhance Florida's image as a destination for tourists. *Visit Florida*, utilizing the catch phrase "Florida-Shine", showed members of the committee their latest television advertisement campaign that is meant to broaden Florida's appeal. In addition, the ad campaign is an aggressive attempt to lure tourism by highlighting the state's beaches, water attractions and natural resources during a time when tourism traffic may be in jeopardy because of a sluggish national economy. Members of the *Visit Florida* team, including President and CEO Bud Nocera, estimated that the return in the investment into the ad campaign would be around 3.5-1, resulting in approximately \$30 million in state sales taxes. *Visit Florida* also asked the committee to consider this return on investment during the tight budget year as a potential avenue for producing more revenues for the state.

Enterprise Florida spoke to the committee, giving an update of Florida's status as the leader in the hemisphere in international trade. According to EFI, Florida's international trade surpassed \$109 billion in 2006 with Florida's origin exports to exceed \$44 billion in 2007. Florida's breadth in international trade is expected to grow from a record year in 2006, and Manny Mencia, VP for International Trade for EFI, stated that with upcoming trade missions like the one recently announced by Governor Crist to the UK, that international trade could expand far beyond expectations. Mencia cited success like the recent Trade Mission on BioFuels to Brazil as ways Florida and EFI continue to expand its reach internationally. Mencia went on to tell the committee that more than 95% of the 39,000 exporting companies are small to mid size businesses and virtually it is the "small guys that are bringing home the bacon". Mencia also said that over 1 million jobs in Florida depend on international trade, arguing increased funding for trade will result in immediate economic development for Florida. EFI has seven offices, including one in Spain where growth in international trade with the Spanish has resulted in the largest influx of foreign cash into Florida's market today. Members of the committee including Jim Frishe (R- Belleair) and vice chairman Doug Holder (R- Sarasota) gave high marks to EFI.

Learn more about EFI and its comprehensive presentation to the committee.

Personal Identity Information

On Thursday, January 10th the Select Committee to Protect Personal Information took testimony from speakers representing the Governor's Commission on Open Government; Department of Highway Safety & Motor Vehicles, speaking on drivers' license security measures; and individuals from the private sector.

Barbara Peterson, chair, spoke of the progress of Governor's Commission which is charged with 4 matters: identifying redundant statutes governing exemption from public records; reviewing fees and charges for access to public records; reviewing storage and retrieval of public records; and examining

the Sunshine Law (public meetings). The draft report of the group will be available in late summer 2008 with final recommendations published in the fall. The group will host two additional public hearings. As of yet no public testimony has recommended closure of public records. Several legislators, however, complained of the use of public records by newspapers and others that can cause problems for public officials, candidates, or victims of crime. The legislators urged the Commission to find that “delicate balance.”

Mike Fields spoke on behalf of Bank of America. He reported that data indicates that identify fraud is actually declining in Florida although it continues to be a problem. He recommended the panel consider additional resources for law enforcement and prosecutors, and strongly urged rejection of statutory changes such as mandating “opt-in” provisions for commercial entities, as suggested by several members of the Select Committee.

The committee will meet again on January 22 when the committee will examine how agencies collect information, how essential that information is to the business of the agency, and how agencies redact confidential or exempt information as required by law. The chair will begin outlining recommendations with the draft bill to be released in February. At this time the chairman does not have specific recommendations but requests suggestions from members and others as to ways to protect the personal information of Floridians.

The House Infrastructure Committee met this morning in room 404, HOB. Representative Rich Glorioso (R-Plant City) is the new Chairman of this committee, succeeding the late Chairman Mike Davis (R-Naples). The committee considered the 2008 legislative proposals by the Dept. of Community Affairs (DCA), the Dept. of Transportation, the Dept. of Emergency Management, the Dept. of Highway Safety and Motor Vehicles, and the Florida Housing Finance Corporation.

DCA Secretary Tom Pelham presented his department’s legislative priorities.

Sec. Pelham six priorities for the agency during the 2008 regular legislative session:

- Streamlining and reorganization of the Growth Management statute, focusing on eliminating unnecessary, repetitious, outdated and unused provisions to chapter 163.
- Affordable Housing – encouraging green development, expediting review for affordable housing land use map amendments, and new incentives for affordable housing such as transportation concurrency exemption.
- Smart growth policies for urban and rural communities- trying to encourage better planning in urban areas and supporting rural and agricultural economies in rural areas.
- Creating a Citizens Planning Bill of Rights. Sec. Pelham indicated his opposition to the Hometown Democracy amendment as the wrong approach to making land use decisions. He said Hometown Democracy was a draconian approach to growth management and would be extremely harmful to the future of the economy of Florida. But, he stressed the need to citizens to have a more reasonable input on land use decisions and the DCA was recommending more practical approaches to chapter 163.
- Changes to the 2006 Coastal High Hazard Areas legislation to restrict hurricane evacuation clearing time to 16 hours, require a comprehensive mitigation plan, and limit public expenditures that subsidizes development in these areas.
- Authorize the ability to promulgate rules under chapter 120 for the Waterfronts Florida Program

Legislative Director Steven Fielder presented the 2008 legislative priorities for the Department of Highway Safety and Motor. Director Bustle outlined a DHSMV package of issues that include:

- Extending the terms for drivers license to 8 years.
- Conform federal and state law as it relates to motor carrier compliance.
- Enhanced penalties for driving under the influence, including changing the standard for blood draws and lowering the cur point for ignition interlock devices.
- Technical changes related to title and registration.

Steve Auger, the Executive Director of the Florida Housing Finance Corporation presented the Corporation's 2008 legislative goals. The FHFC three main priorities include:

- The reauthorization of the two main trust funds – the State Housing Trust Fund and the Local Government Housing Trust Fund.
- The adoption of recommendations of the Affordable Housing Study Commission.
- Technical language to clean up outdated language as it relates to the FHFC being a statutorily created corporation and not state agency.

The final agency presentation was delivered by Dept. of Transportation Secretary Stephanie Kopelousos. Secretary Kopelousos presented the DOT 2008 legislative package recommendations and pointed out that many her agency's recommendations were the result of a need to bring Florida Statutes in line with current federal regulations. The recommendations include:

- Safety issues focused on lowering the blood alcohol content for purpose of triggering DUI penalties and adoption of federal safety regulations to update state statute.
- Mobility issues focused on liability issues related to the rail corridor, removing restrictions on the bonding of toll facilities, expansion of electronic toll collection and interoperability between toll facilities, and enhanced toll enforcement.
- Administrative issues focused on employee training programs contract thresholds for amendments.