



From February 12, 2008

Last week was extremely busy for members of the Legislature as committees began to discuss some substantive legislative proposals. The week began with the highly publicized hearings on property insurance by the Senate Select Committee on Property Insurance Accountability. Over 20 hours of testimony from insurance company executives was taken. It is unclear, what the Senate's next move will be although we can expect that some legislation will be filed. On the House side, members of the House Insurance Committee work-shopped a proposal submitted by CFO Alex Sink, which seeks to reduce some of the Cat Fund's coverage. This was greeted with strong support by members of the business community.

AIF and other members of the business community also unveiled its Economic Stimulus Package in the Senate Transportation and Economic Development Appropriations Committee. The package was very well received and future presentations will be made in the Senate Commerce Committee on February 19th.

Details on this and much more are included in this week's AIF Interim Report.

Property Insurance

The House Insurance Committee held a workshop on CFO Alex Sink's proposed Cat Fund Reduction bill on Friday, February 8th. The following is a brief summary of the major provisions of the bill.

- Creates the Division of Florida Hurricane Catastrophic Fund which reports directly to the Governor and the Cabinet. Currently the administrative responsibilities for the Cat Fund rest in an office within the State Board of Administration and reports to its Executive Director who in turn reports to the Governor and Cabinet.
- For the Cat Fund contract year commencing June 1, 2008, and ending May 31, 2009, and for the contract year commencing July 1, 2009, and ending May 31, 2010, reduces the maximum temporary increase in coverage limits (TICL) option from \$12 billion to \$9 billion.
- For the TICL coverage, reduces the maximum percent paid by the Cat Fund from 90% to 70% and eliminates the 45% option.

CFO Sink's legislative director presented the proposal. He cited the CFO's concern with the state's ability to market bonds necessary to fund the existing \$28 billion CAT Fund exposure in the event of a major hurricane or series of hurricanes as the reason for the proposal. In addition, he cited the CFO's grave concerns with the potential impact such CAT Fund losses would have on the state's financial viability. Ben Watkins, Director of the State's Division of Bond Finance, testified that he did not have the same level of confidence in the state's ability to raise sufficient funds through bond sales as he did a year ago. Mr. Watkins further explained that the limited amount of capital available for state bond projects is "unprecedented in my career."

Associated Industries of Florida (AIF), Florida Chamber of Commerce, Florida Retail Federation, and Florida United Business Association all testified in favor of the proposal. Jose Gonzalez, on behalf of AIF, and representatives of the other business organizations cited the potential of post-event hurricane taxes to cover Cat Fund and Citizens' deficits as a major disincentive for businesses to locate to Florida as well as the potentially devastating impact such taxes would have on existing businesses as reason for their support. They also urged the Committee to look for ways to reduce the Citizens' exposure.

The House Jobs & Entrepreneurship Council will consider the proposal as a bill during its February 21st meeting.

AIF supports legislation to reduce the potential for future Cat Fund assessments on Florida's businesses by giving the Governor and Cabinet the ability to set both the reinsurance levels and pricing of the Cat Fund's coverages.

Education & Workforce

On Tuesday, February 5th the House Committee on 21st Century Competitiveness met again to hear further presentations related to the implementation of the class size reduction amendment. Since the last committee meeting, a group of education stakeholders has come together at the request of Chairman David Simmons (R-Altamonte Springs) to propose an idea that would address the lack of flexibility in implementing the class size reduction constitutional amendment. The group presented their proposed draft legislation which would:

- Clarify that school boards would not be penalized for noncompliance of charter schools with the class size limits and charter schools wouldn't be penalized for the noncompliance of district schools
- Remove all penalties in the class size law and replace them with the enforcement authority of the State Board of Education provided in s. 1008.32
- Provides a flexibility exception for unexpected student enrollment growth after the school year begins for the remainder of the school year. Class sizes under the flexibility exception would be limited to five students above the constitutional maximum.

No vote was taken on the proposal.

On Thursday, February 7th the Senate Education Appropriations met to hear updates on class size compliance, industry certifications, and the Governor's School for Math and Science.

Frank Kenny from the Florida Institute of Technology presented on the Governor's school – indicating that planning is underway and the program will be a "pull-out" – meaning high school students from around the state will come visit the Governor's School for a week. He indicated good support from the Space industry, potential for federal funding support, and the connection of this school to the Space industry's importance in economic development in Florida.

Workforce Education Chancellor Lucy Hadi and Agency for Workforce Innovation (AWI) Deputy Director Barbara Griffin presented an update on the implementation of the Career Education Act, which passed last year. Their presentation focused on industry certifications, which are used both for student educational and career planning, as well as school district strategic planning for new career academies to open. Additionally, industry certifications are utilized in the awarding of incentive funding. The two workforce partners reported that curriculum reviews have been completed as required in the law, and that school districts are completing the required 5 year strategic plans for career education. Career academies are in the process of being certified as in compliance with the law. Ms. Hadi stated that the

legislature may want to add some fiscal parameters to ensure that incentive funding earned for career education industry certified graduates is reinvested in career education programs.

At the conclusion of the meeting, Senator Steve Wise (R-Jacksonville) announced that there will be further reductions to the current year budget and announced the schedule.

At the next committee meeting the senate will release their first version of suggested cuts to the current budget. A finished product will be filed as a committee bill by Feb. 22.

Senator Wise concluded with remarks about the 10 billion appropriated this year, 6 billion of it has already been spent, and about 3 billion has not yet been spent – “if they haven’t spent it we may take it,” he said.

Economic Stimulus Package

On Thursday, February 7th Barney Bishop, President and CEO of AIF, presented the “Economic Stimulus Package” to the Senate Transportation and Economic Development Appropriations Committee. The package is designed to kick-start Florida’s economy and contains eight different recommendations 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. Other groups testifying in support of the package included Florida TaxWatch, the Florida Retail Federation, The Florida Home Builders Association, the Florida Association of Realtors, and Leigh Holt from Brevard County.

Members of the Committee had many questions for Mr. Bishop, and were very supportive and interested in the proposals included in the package. In fact, Chairman Mike Fasano (R-New Port Richey) announced that he would be sponsoring the Senate’s economic stimulus package and that he hopes to include many of the items found in the business community’s package.

Energy

On Thursday, February 7th the Senate Environmental Preservation and Conservation Committee met to hear testimony from the public on energy initiatives and energy policy. The Committee chaired by Senator Burt Saunders (R-Naples) will be responsible for vetting all of energy bills filed in the Senate this session.

Barney Bishop, President & CEO of AIF, unveiled AIF’s recommendations on energy policy at this meeting. The recommendations include the following:

Governor’s Executive Orders:

AIF recommends that 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.

AIF is concerned, however, with efforts in the Governor's Executive Orders that would create unsustainable goals, such as the creation of draconian vehicle idling rules, the establishment of greenhouse gas emission targets, and the development of a "cap and trade" system for reducing emissions. Emission targets, reduction goals, and "cap and trade" systems to reach the goals are national / international issues. **AIF recommends that the Legislature encourage climate change policies at the national and international level and avoid handicapping Florida by prematurely implementing these policies.** Florida's energy policy cannot "cap" Florida's businesses and "trade" our competitive advantage.

Energy Policy Governance:

AIF opposes efforts to restructure Florida's energy policy governance. The Florida Energy Commission is proposing legislation this year that would make the Commission a permanent structure within state government (it would be located in the Department of Environmental Protection). The Commission would also be given enhanced responsibilities to oversee the implementation of energy policies across the state. In an era of shrinking state revenues, increasing the size and scope of government does not make sense. Florida already has a Public Service Commission as well as the Florida Energy Office. Creating yet another permanent government clearinghouse is ineffectual, costly, and duplicitous.

Funding for Renewable Energy R&D:

AIF supports efforts to secure funding assistance for companies looking to commercialize renewable energy technologies and for basic research at our universities. To help get today's technology off the drawing board, programs such as the "Farm to Fuel Initiative" and the "Farm to Fuel" Grant Program deserve funding and should be supported. In addition, AIF will be working on an "innovation fund" concept that would provide companies access to start-up funds or low interest loans so that they can bring their products to the market. Acceptance of these funds would, however, be tied to profit sharing plans so that the state can benefit to some degree from the development of these technologies. AIF recognizes the budget constraints confronting the Legislature this year and future years, and respects the limits that will be faced in finding funds for full support.

Additionally, AIF recommends that definitions for renewable energy be broad, such as the definition provided by the U.S. EPA, rather than specific to particular products. Providing a broad definition for renewable energy will expand the interest in new energy technologies. Further, AIF feels the investment with best returns is to fund basic energy research at our universities. The second and third generation technologies developed through research at our universities will be necessary to meet future world energy demand; Florida should be the beneficiary for laying the foundation.

Energy Efficiency and Conservation:

AIF supports efforts by the Legislature to increase incentives for energy efficiency and conservation. Last year, AIF supported many of the incentives for energy efficiency found in HB 7123, the omnibus energy policy bill passed by the House and Senate. AIF will continue to support legislation filed this year that encourages consumers to buy energy efficient appliances through sales tax holidays, establishes green building standards, and promotes energy conservation.

Information Technology

On Thursday, February 7th the Senate General Government Appropriations Committee met to discuss SB 7034 – a bill relating to the Agency for Information Technology (AEIT). Vice-Chairman Al Lawson (D-

Tallahassee) asked Mr. Jim Rhea, Staff Analyst to explain SB 7034. Mr. Rhea said the proposed committee bill is the result of interim project 2008-130 on Improving Access to Public Records.

The proposed bill provides for review of information technology needs identified in agency long-range program plans for consistency with information technology policy and the state comprehensive plan. It further requires the new Agency for Enterprise Information Technology (AEIT) to assist the Department of Management Services (DMS) in assessing technological needs and evaluating IT contracts. It creates the Office of Open Government in statute which already exists in the Governor's Office. It also provides for minimum requirements for the agency Chief Information Officers as well as changing the name of the CIO Council to the IT Coordinating Council. It adds to the ITCC membership to include the Executive Director of the AEIT, the director of the Division of Library and Information Services and the director of the Office of Open Government. The bill also gives the AEIT rule making authority.

There were no questions on the bill by the members of the committee.

Mr. Frank Meiners testified on behalf of AIF's IT Council. He said that AIF was engaged on this bill and has been working with staff. He further stated that AIF would continue to provide staff input from the IT industry.

SB 7034 is on the IT Council's 2008 legislative priorities and we will continue to give staff our concerns with the bill. There are about seven major issues with the current draft.

Also on Thursday, the Senate General Government Appropriations Committee heard a presentation by the Agency for Enterprise Information Technology (AEIT) on governance and deployment of information technology.

This presentation was given by Dr. Jim Zingale who was the interim Executive Director of the AEIT and the past Executive Director of the Department of Revenue (DOR). Under Dr. Zingale, DOR had great success in reengineering the various business processes deploying IT successfully in the new methodology resulting in a substantial savings in employees as well as expense. Chairman JD Alexander (R-Lake Wales) asked him to make this presentation even though he is now a retired private citizen.

It is difficult to attempt to summarize what Dr. Zingale said to the committee; he spoke for about 45 minutes and the room was quiet with complete attention. The members, especially Chairman Alexander, were shaking their heads in agreement. It was clear that Dr. Zingale was very knowledgeable in the subject and had led a great success story in Florida State government at DOR.

Dr. Zingale started out by telling the committee that the governance bill that they passed last year that created the AEIT would help prevent large enterprise IT failures in the future.

Dr. Zingale said that they needed to realize the IT planning time frame is 15 years, not one or two as they have thought in the past. The reengineering process at DOR took many years of planning and implementation. It takes a long time to do it right.

The state's budget system is out of date because you cannot get the kind of management information that the private sector budget systems are capable of giving their managers. Wouldn't you want to know what a 5% cut would do to the state quickly – like in hours rather than days or weeks? You cannot do that with your system – it has to be done manually which takes days or weeks. He gave other examples of information a modern budget system could give quickly. Such as how many call centers do we have, and how many clerks or other type of employees we have.

He then said the Legislature should set the requirements for the type of budget system they want and then ask the Cabinet to vet the issue publicly and bring it back to the legislature for approval. He gave the example of an enterprise system versus an agency by agency system. He further pointed out that the real problem with the ASPIRE system is they allowed each agency have unique features in the system which made the system too difficult to work. The legislature really needs to be the ones who determine what type of system you need to do the budget efficiently and allow you to deal with severe downturns such as the one we have today. These systems need to be able to work together and provide usable management information as well as budgeting information.

Following his presentation, Senator Al Lawson (D-Tallahassee) said that after 26 years in the Legislature, he thought agency systems were the responsibility of the Executive Branch. Dr. Zingale answered with an example of the business process of business regulation, which now is done by several agencies. If the legislature told the cabinet that they wanted to see a reengineered business process for business regulation and how it would work, the cabinet would bring it to the legislature the next session and you could approve or redirect their efforts via the budget.

Senator JD Alexander asked if he could help the committee to start on the right path and help us write this plan. Dr. Zingale gave another example but did not say he would help.

Healthcare

On Tuesday, February 5th the House Healthcare Council held a meeting to begin the process of **identifying healthcare cuts to address the budget deficit**. Chairman Aaron Bean (R-Fernandina Beach) announced that there will be an in depth review of the "base budget" in search of savings. He appointed subcommittees to recommend cuts. He particularly wants committees to examine projects that have not had a value review in the past five years. The council will meet next Tuesday, February 12th to go over the Governor's budget and to take testimony from the public.

On Thursday, February 7th the Senate Health & Human Services Appropriations Committee also took testimony from the Governor's chief health advisor on the Governor's **proposed budget**. Bob Brown-Barrios said the Governor's budget decreases the Agency for Health Care Administration's (AHCA) spending by 1% and the Department of Elder Affairs (DOEA) by 2.6%. The Agency for Persons with Disabilities' funding would rise by 1.2%. Other provisions and eliminations were as follows:

-The budget contains \$64 million for the Florida Health Care Access Program, which is a 14 county pilot program to expand primary and preventative care services to the uninsured.

- The budget eliminates Florida Senior Care, the Patient Safety Corporation and reduces funding for the Byrd Alzheimer's Center. While HMO's are cut by \$62 million, the current rates for nursing homes, prepaid health plan providers and prescribed medicine are frozen.
- The budget increases funds for the following waivers: Ages and Disabled; Community Care for the Elderly; and Alzheimer's Respite Services.

Senators gave the budget a chilly reception because it uses one time funding to pay for recurring expenses. While the House has been much more critical calling for deeper cuts in healthcare.

On Tuesday, February 5th the House Health Innovation Committee unanimously passed **HB 0461 Relating to Health flex Plans**. The bill expands the population eligible to purchase the plan by raising the

income limit to 300 percent of the federal poverty level. AHCA anticipates that this change will increase enrollment in existing Health Flex plans and incentivize others to implement the program.

AIF supports market-based solutions to the problem of Florida's uninsured found in this legislation. According to a study by the AHCA, approximately 19 percent of all Floridians do not have health insurance. These individuals typically rely on emergency rooms for their primary care. Unfortunately, this kind of care is the most expensive option. Expanding access for low-income employees to health flex plans is sound public policy.

On Wednesday, February 6th the Senate Banking and Insurance Committee met to hear a presentation on the interim project report relating to the effect of **mandating coverage for mental and nervous disorders**. Several legislators are advocating legislation that would require insurers to cover mental health benefits at the same level as physical health benefits. The report discussed:

- The rising number of uninsured individuals in Florida as well as nationally and its effect on the rising cost of health insurance.
- The mandated health benefits in Florida, and their effect on small group policies.
- The Insurance requirements on Florida mental health benefits.
- Current state legislation concerning such mental health benefits.
- The current available coverage, as well as the financial impact of such coverage.

Senator Ted Deutch (D-Delray Beach) posed a few questions concerning the selection of disorders to be covered, as well as the potential savings from individuals receiving early treatment. The committee discussed further intent on proposing legislation to meet some of these concerns.

AIF consistently opposes additional mandated coverages because of 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.

Secondary Metal Theft

On Tuesday, February 5th the House Policy and Budget Council passed HB 105 Relating to Secondary Metal Recyclers by Representative Baxter Troutman (R-Winter Haven). There is a growing problem with copper and metal theft, which is affecting businesses and individuals everywhere. HB 105 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. Former State Representative Chris Smith also testified in support having twice been the victim of this type of metal theft.

HB 105 is not ready for the House floor and could possibly be one of the first bills passed by the House.

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.

Personal Information Protection

On Monday, February 4th the House Select Committee to Protect Personal Information met to consider committee recommendations. The committee staff was instructed to draft legislation incorporating all the recommendations for the committee's next meeting during the third week of February. At that meeting the committee will formally make the recommendations to the Speaker and possibly introduce a proposed bill.

Basically, the recommendations submitted by committee members and a state attorney are:

- Certify that state vendors have training in dealing with any personal information.
- Create a State Privacy Officer
- Look at how and what information is collected by state agencies and why? Also, how it is disposed of?
- Set statutory state standards for disposing of personal information held by the state or private entities (shredding, etc).
- Ban the use of card readers that do not truncate credit card numbers on receipts.
- Increase criminal penalties for ID Theft.
- Provide extra funding, training, and additional prosecutors to fight ID Theft.
- Create a policy agencies must use when determining whether to put a public record on the internet.

AIF will continue to lobby regarding the language that will be forthcoming to ensure access to vital information to conduct business.