



DAILY BRIEF

From March 2, 2010

Wednesday was a very productive day at the Capital with committee meetings starting bright and early in the morning and continuing all day. In addition, the Senate was in session on Wednesday to consider a number of bills on the "fast-track." The Senate passed SB 1034 Relating to the Public Service Commission by Senator Mike Fasano (R-New Port Richey) by a vote of 39-1. The bill would require Public Service Commissioners to operate under the Code of Judicial Conduct when they are operating in their quasi-judicial role in a docketed proceeding. The bill would also require Commissioners, a commissioner's chief advisor and executive assistant to disclose any communications they have, written or oral, with any "legally interested person" within 72 hours. A legally interested person is defined as any party to a proceeding before the commission, or a representative of a party to a proceeding pending before the commission. It includes corporations, partnerships, elected or appointed officials of state government and other publicly elected officials. The communication would be required to be posted on the commission website within 72 hours after the communication was initiated or received. Knowingly failing to disclose a prohibited communications could result in fines of up to \$5,000 for an individual and up to one tenth of one percent of the annual operating revenue of a regulated entity. The bill will now be sent to the House for their consideration.

Also of note on Wednesday, the Senate Commerce committee considered one of Governor Crist's top priorities for the 2010 legislative session. SB 1680 would roll-back the corporate income tax rate by one percentage point on the first million dollars of profit for a corporate doing business in Florida. Although the proposal was passed, it did meet with some skepticism from members of the Committee who felt that the measure really didn't provide much impact to the economy or Floridians, especially given the high price tag (\$54 million) of the bill.

Space

Today the House Committee on Economic Development considered several pieces of legislation important to AIF in an effort to stimulate the state's economy. Committee Chair Jennifer Carroll (R-Jacksonville) has made it a priority of her committee to hear significant pieces of legislation early in this year's session.

The committee opened its meeting by acknowledging that it was Space Day at the Capitol and considered HB 451 Relating to Space Florida by Representative Steve Crisafulli (R-Merritt Island). The bill's sponsor explained that the bill would revise the organization in a number of ways, most notably by reducing the number of Space Florida Board members from 19 to 15 and replacing some of the government representatives with industry representatives. This should result in a more nimble board,

better able to respond to the needs of the aerospace industry and better prepare Florida to compete with other states and nations. The bill passed the committee unanimously.

HB 451 will now be considered by the House Transportation & Economic Development Appropriations Committee.

AIF supports legislation to reorganize the board structure of Space Florida – the state’s aerospace development organization.

The committee then heard a presentation by **Mark Nappi, V.P. for United Space Alliance** in which he explained the impending job losses in the aerospace industry to the ending of the Space Shuttle Program. Mr. Nappi said there would be 9,000 direct and 14,000 indirect jobs lost in Central Florida, as well as throughout the state and that Florida must act now and aggressively to maintain its leadership in Space Innovation.

Later in the day, the Senate Commerce Committee also received presentations linked to Space Day at the Capitol and considered related legislation.

Space Florida President Frank Dibello explained to the committee that Space-related commerce results in \$8 billion of investment activity per year in Florida, affecting all 67 counties. He expressed the desire for more flexibility in expending previously appropriated funds so that they could benefit Launch Complex 46, in addition to Launch Complex 36 and provide better infrastructure to service a more diverse aerospace program at Kennedy Space Center. He also discussed the effect that President Obama’s proposed budget may have on Florida’s Aerospace Industry. Mr. Dibello highlighted the fact that the President’s budget continues down the path of ending the Shuttle program in 2010, extends International Space Station (ISS) operations to 2020, encourages private-sector support of the ISS, shifts NASA’s mission to more of encouragement of technology advances rather than actual research and development and cancels the Constellation Project, but provides \$2.1 billion for upgrades to Kennedy Space Center.

Lisa Rice, President of the Brevard County Economic Development Board, discussed the problems with transitioning the workforce in her area to new jobs after the Shuttle program ends and pushed for full funding of Space Florida’s requested budget. After Senator Evelyn Lynn (R-Daytona Beach) made the point that people are losing jobs all over the state and that help is needed comprehensively, Lisa Rice pointed out that the cost of unemployment benefits alone for the 9,000 direct jobs lost in the Space Industry would be \$64 million.

The committee unanimously passed SB 1776 Relating to Space & Aerospace Infrastructure by Senator Thad Altman (R-Melbourne). This bill provides Space Florida with the needed flexibility to spend approximately \$10 million of funds allocated in 2008 to make improvements at the existing launch complexes in Florida. This legislation is vitally critical to keep Florida as the leader in space and it will allow our state to leverage the existing infrastructure to lure commercial space projects to Florida. **AIF’s Jose Gonzalez** testified in support of the bill stating that legislators must do everything in their power to keep our oldest high-tech industry in Florida especially since a number of states are actively doing everything in their power to lure the aerospace industry away from Florida.



Jose Gonzalez

SB 1776 will now be heard by the Senate Transportation and Economic Development Appropriations Committee.

AIF SUPPORTS giving Space Florida the flexibility to allocate any of the un-obligated Launch Complex (LC) 36 funds for any purpose determined to have the greatest benefit to the commercial space industry in Florida.

Economic Development

Representative Steve Precourt (R-Orlando) and Representative Kevin Amber (R-Tampa) presented HB 697 Relating to Entertainment Industry Economic Development before the House Economic Development Policy Committee. Known as the Film and Entertainment Tax Incentive Program, this legislation changes the existing \$10 million grant program for the recruitment and retaining of the state's Film industry to a broader \$75 million tax incentive program. This program is meant to reward Florida companies who create jobs and clusters around the Film, Entertainment and Digital Media industries. Previously a national leader in this industry, Florida now lags in the middle of the pack with 44 other states offering incentives in producing film and entertainment.

Supported by speakers from within the industry, the bill sponsors touted provisions of the bill which increases the program by \$65 million, stabilizes the program by enacting it for five years, and requiring that the businesses receiving this incentive and the jobs created by these efforts must be in the state of Florida. Recipients of these tax credits would also have the flexibility to sell their credits if they so choose. According to the sponsors, it is believed that the program would, at a minimum, create new spending in the state of at least \$375 million.

Committee members pressed the sponsors of the bill for specifics, but in sum the legislation was extremely well received and was approved unanimously. **Jose Gonzalez, AIF's Vice President of Governmental Affairs** testified before the committee in favor of the bill. HB 697 will now be heard by the House Finance & Tax Council.



Jose
Gonzalez

AIF SUPPORTS passage of legislation creating a tax credit-based rebate incentive that is not subject to legislative appropriations.

The Committee also work shopped the following pieces of legislation:

HB 607, the Tax Credits for Research and Development, by Representative Scott Plakon (R-Orlando). This legislation which has been proposed for the last several years, yet fallen peril to the budget crunch, would provide tax credits for businesses conducting Florida based research and development. The legislation would provide approximately \$15 million in tax credit incentives. The committee heard from bio medical research firms, life sciences, aerospace and other comparable industries that depend heavily on research. Throughout the testimony it was discovered that over 30 other states have this type of incentive program already in place. No vote was taken and it is expected that the committee will hear the legislation in the coming weeks.

Lastly, the Committee heard committee bill **EDP1**, a new piece of legislation designed to reenact the Qualified Targeted Industry Incentive (QTI). This incentive program is one of the most important incentive programs administered by the state's Office of Tourism Trade and Economic Development (OTTED). In conjunction with Enterprise Florida (EFI), OTTED distributes these incentives to a qualified list of industries prescribed in statute that create high wage jobs across the state. By using various wage computations, this incentive requires that jobs must provide above average wages in a given region and that they must be sustained for a period of time. The QTI, as most incentive programs, is scheduled to sunset in 2011. This legislation would extend that date to 2020. As reported on in previous weeks, the Senate Commerce Committee has a similar version of the legislation that seeks to extend the incentive program. While both versions ultimately extend the program, each also implements slightly unique changes. **AIF consultant Stephen Shiver** testified in support of this legislation.



**Stephen
Shiver**

AIF has made job creation and economic development its top priority for the 2010 session. We fully embrace these initiatives and will continue to ask the legislature to support these as well. Florida, more than ever, must pay particular attention to our economic development policies and in doing so nurture our existing businesses.

Growth Management & Transportation

The House Economic Development and Community Affairs Policy Council met this morning to consider several pieces of legislation, as well as a presentation on economic development incentives. **Plant City Mayor Rick Lott** was first on the agenda and shared a number of real economic development success stories with the Council members. Mayor Lott described the city's two-year focus of creating a city that could market as a "product" to recruit, retain and expand businesses. Ideas such as real expedited permitting, adopting a mobility fee while eliminating impact fees, and ensuring that local infrastructure such as roads and wastewater were upgraded were all solutions that the Mayor touted for the success of his city in these economic times. At the end of the day, the Mayor indicated that the city has filled over half of their lost jobs in the past two years with this approach.

The House Government Accountability Act Council met today and work shopped a series of proposed committee bills (PCBs) that would "sunset" or do away with the Florida Housing Finance Corporation (**PCB GAAC3**) and the Department of Community Affairs (**GAAC4**).

While the discussions regarding the Florida Housing Finance Corporation were short and non-controversial, the discussions surrounding the Department of Community Affairs (DCA) once again bogged down over criticisms of the Department of Emergency Management, and whether they should once again be placed directly under DCA. Currently, while housed in the same building, the DEM reports to the Governor's Office, a move that took place under former Governor Jeb Bush. After much criticism of the DEM by Vice Chairman Kevin Ambler (R-Tampa), it was agreed that the issue would once again be discussed and hopefully voted on next week. The DCA sunset bill also re-enacts the agency, re-instates (after abolishing at a previous meeting) the Century Commission, and transfers the Small County Technical Assistance program from the

Department of Agriculture to the DCA. A vote on the bill should be forthcoming next week.

Finance & Tax

The Senate Finance & Tax Committee unanimously passed SB 1178 Relating to Cost and Benefit Analysis of Legislation by Senate President-elect, Mike Haridopolos (R-Melbourne). Senator Haridopolos explained that the bill authorizes the President of the Senate or Speaker of the House to request special impact sessions of the Revenue Estimating Conference (REC) to consider the costs and benefits of proposed legislation. He indicated that there may be some changes recommended by technical staff to expand the tools available to the REC to dynamically score a bill.

Senator Charlie Justice (D-St. Petersburg) explained that he supported the bill, but questioned how the REC could be accurate in predicting the benefits. Senator Jeremy Ring (D-Margate) shared the same inquiry.

Senator Ronda Storms (R-Brandon) offered that after passing this legislation and dynamically scoring a bill, legislators should have the ability to look back and track the accuracy of the prediction. According to Senator Storms, "This would give us a good set of data for future use."

Several members of the business community testified in support of the bill including **AIF's President and CEO Barney Bishop**. Mr. Bishop was enthusiastic about AIF's support, citing several examples of how it would help stimulate jobs and improve the economy. In particular, he referred to the airline manufacturing industry where there is a big difference in the tax on taking delivery of a plane manufactured in South Carolina vs. Florida. With dynamic scoring, the legislature may be able to lower the tax and actually increase the state's revenues by reducing the incentive to take delivery of a high-value product in another state.



Barney
Bishop

SB 1178 will now be considered by the Senate Policy and Steering Committee on Ways and Means.

AIF SUPPORTS legislation that addresses the cost-benefit analysis of economic development incentive policies. AIF has consistently advocated for providing legislation with analysis to demonstrate the potential positive impact these policies may have on the state budget.

Ports

The Senate Transportation & Economic Development Appropriations Committee heard a presentation by **Mary Alice Nye, PhD.**, the Chief Legislative Analyst for the Florida Legislature's Office of Program Policy Analysis & Government Accountability (OPPAGA) on their report on Florida's Harbor Pilots. Last session there was proviso language added to the budget requiring OPPAGA to conduct this study. The scope of the study included four areas:

- How are harbor pilots regulated in Florida?
- How are harbor pilots rates established?
- What alternative regulatory and rate-setting systems for harbor piloting are used by other states and governments?
- What options could the Legislature consider for modifying harbor pilot regulation?

As cargo or passenger ships come into one of Florida's 14 deep water ports, Florida law requires that a harbor pilot board a ship and supervise the navigation before it enters a port. Currently, there are 94 harbor pilots and according to one of the harbor pilot representatives, they earn anywhere from \$100,000 to \$400,000 a year. Harbor pilots work approximately 26 weeks a year.

The discussion was lively as representatives from the harbor pilots justified why there are only 94 harbor pilots and why they are needed if the same ship with the same captain enters the ports several times a week. The cruise and cargo industry representatives claimed that the current system is outdated and needs to be modified. They also told the committee that the rates for harbor pilot services should be "fair and reasonable." However, the Pilotage Rate Review Board does not use a standardized way of setting rates. Actually, the Pilotage Rate Review Board may not be operating under compliance of state law.

The Board has seven members; however, there are currently four vacancies and three members serving on expired terms. Senators questioned if the Board had a quorum when determining rates.

Jennifer Nugent-Hill, Vice President of Tropical Shipping and Co-Chair of AIF's Florida Maritime Council (FMC) explained to the committee the importance of waterborne commerce to our state. "Geographic location may not be enough. Florida has an opportunity to reevaluate the harbor pilot system and create an updated model that addresses environmental and safety issues, while simultaneously generating a user-friendly maritime business environment," said Ms. Nugent-Hill. The last time any changes were made to the laws dealing with harbor pilots was in 1994.

Everyone agreed that harbor pilots are necessary; however the cargo and cruise industry stressed that the current system in which rates are set and harbor pilots are licensed threatens the vitality of Florida's ports. They are not suggesting doing away with harbor pilots, but instead fixing the broken system.

AIF believes the current harbor pilot scheme of regulation needs to be changed, including the method in which their rates are set. The high cost of harbor pilots is an unneeded cost of doing business in the state of Florida and ultimately drives up the cost of goods.

The Senate Commerce Committee unanimously passed SB 1114 Relating to International Commercial Arbitration by Senator Dan Gelber (D-Miami Beach). This legislation known as the "Florida International Commercial Arbitration Act," enacts the Model International Commercial Arbitration Law drafted under the supervision of the United Nations Commission on International Trade Law ("UNCITRAL") and approved by the General Assembly of the United Nations, and repeal the Florida International Arbitration Act, presently codified as Chapter 684 of the Florida Statutes.

The enactment of the Model Law would be tangible evidence of Florida's commitment in the area of international commercial arbitration, and will serve to make Florida a more

attractive venue for conducting those arbitrations. Increased international arbitration activity in Florida will have a positive effect on economic development. International commercial arbitrations tend to involve larger amounts in dispute, and generate the need for ancillary services, such as legal, expert, translation, court reporting, accounting, investigative and forensic services. Because the parties, their counsel, and the arbitral tribunal typically travel to attend the arbitration hearings, increased international arbitration activity will also have a significant positive impact on Florida's tourism and hospitality industries in terms of increased demand for hotel and conference rooms, taxis and other forms of transportation, and bars and restaurants.

SB 1114 will now be considered by the Senate Judiciary Committee.

AIF SUPPORTS this legislation because it will make Florida a more attractive location for international business. Businesses look for the familiar, and the acceptance of the Model Law in so many jurisdictions around the world could be a positive consideration in deciding where to locate international companies and conduct business transactions.

Business Regulation

In the House Insurance, Business & Financial Affairs Policy Committee, Representative Ritch Workman (R-Melbourne) passed HB 713 Relating to Regulation of Professionals. This is the Florida Department of Business and Professional Regulation (DBPR) legislative package. Representative Workman's bill would make changes to the home inspection licensing program and mold-related licensure program, including an elimination of the business license and allowing individuals to take the licensing exam without contacting DBPR for approval. The bill creates a temporary professional license for a spouse of an active duty member of the Armed Forces who have been assigned to a duty station in Florida, as well as allowing for special alcoholic beverage licenses in movie theaters. The bill also moves the carbon monoxide regulation in public lodging establishments to the State Fire Marshal and it revises the qualification of members to the Florida Real Estate Appraisal Board. Unfortunately, the bill also allows for public notices to be published via the Department's website and no longer requires public notices to be published in a local newspaper.

There were eight amendments filed to this bill today, seven from the sponsor of the bill, and one from Representative Peter Nehr (R-Tarpon Springs). All seven of Representative Workman's amendments were passed without objection, but the amendment by Representative Nehr faced intense debate. Representative Nehr's amendment proposed keeping the existing law which requires DBPR to post public notices of licensure disputes in newspapers. Much of the debate over the bill was in regards to the number of Americans who currently don't use the internet and the need for the state to maintain transparency. Representative Dwayne Taylor (D - Daytona Beach) stated that we are not paperless yet!

The amendment failed due to a tie vote. HB 713 will now be heard by the House Government Operations Appropriations Committee.

AIF SUPPORTS policies that requiring all public notices be printed in local newspapers and posted on the internet. We are grateful to Representative Peter Nehr for offering the amendment to make the change to HB 713. Local newspapers offer citizens a single, convenient location to find all public notices as opposed to government entities publishing notices on their respective website, ultimately placing needed information in a myriad of different locations. We look forward to working with Representative Workman in establishing an appropriate system to inform all citizens throughout the state of Florida.

Affordable Housing

HB 665 Relating to Affordable Housing by Representative Gary Aubuchon (R – Cape Coral) was unanimously passed by the House Military and Local Affairs Policy Committee. This bill contains several provisions that are important to AIF and the business community.

One key provision eliminates the cap on proceeds from the Sadowski Affordable Housing Trust Fund that get allocated to the Florida Housing Finance Corporation for use on affordable housing programs. AIF was present in support of this critical provision that promotes the use of affordable housing dollars for down payment assistance, thereby creating and preserving wealth for Florida's families, increasing consumer spending during the current economic crisis, and improving the sales tax revenue to the state.

The bill also contains provisions that create a one year moratorium on new construction allowing our economy to absorb and rehabilitate existing housing stock.

HB 665 will now be considered by the House Full Appropriations Council on Education & Economic Development.

AIF SUPPORTS legislation that repeals the Housing Trust Fund cap and appropriates all doc stamp revenue toward affordable housing. Florida needs appropriate housing for our essential workforce. If Floridians have access to homes that they can truly afford, then we are helping create jobs and increase state revenues.