



DAILY BRIEF

From March 10, 2010

A major attempt to reorganize government, primarily the Department of Management Services (DMS), was unveiled today by Senate Appropriations Chair JD Alexander (R-Lake Wales) in the Senate Governmental Oversight and Accountability Committee. SB 1238 renames the Department of Management Services as the Department of Personnel Management, and places it under the Governor and Cabinet. The new Department would retain all functions related to Human Resource Management, Insurance Benefits Administration, and Retirement Benefits Administration. All other current DMS duties and functions would be moved to several other agencies such as the Executive Office of the Governor, The Department of Environmental Protection, Department of Financial Services and the Department of Law Enforcement. The bill also transfers trust funds that were previously administered by the Department of Management Services. The proposed changes are quite substantial and led to significant debate by the committee members led by Senators AL Lawson (D-Tallahassee), Gary Siplin (D-Orlando) and Eleanor Sobel (D-Hollywood). In the end the bill was temporarily passed and the members expect to take a vote on it next week after they have had time to digest its contents. This re-organization appears to be the first comprehensive sunset review of its kind in the Florida Legislature as it totally reorganizes an agency and takes into account several recommendations by various bodies in consultation with the agencies proposed to be responsible for the various tasks.

For the past three years, Associated Industries of Florida has monitored state agencies and advised the legislature on ways to improve efficiencies and cut costs. AIF will be monitoring this new approach and its potential outcomes since they may lead to a new way to do business in Tallahassee. It certainly seems as if there will be wholesale changes in the way we manage government to make it efficient because the budgetary needs of the state require it.

Education

The House PreK-12 Education Committee met today and heard HB 623 Relating to Instructional Materials for K-12 Public Education by Representative Rachel Burgin (R-Tampa). HB 623 looks to include flexibility for districts to purchase hardware in the instructional materials category.

While opposed by textbook publishers, there was broad support for the bill by business groups, including testimony by **AIF's Vice President of Governmental Affairs Jose Gonzalez**. While some members expressed concerns about not wanting to delay the purchase of new math and science textbooks, and being sure districts continue to provide materials to students, the bill ultimately passed by a vote of 10-2.



Jose
Gonzalez

HB 623 will now progress to the PreK-12 Appropriations Committee for further consideration.

AIF supports the increase of technology use in K-12 public education to better prepare students for jobs in the future. In the 21st century's digital economy, such materials will provide our students with a competitive edge on a global scale. (View the AIF position on this issue)

In the Senate Education Committee, Chair Nancy Detert (R-Venice) presented SB 4 Relating to Education Accountability which increases standards for high school graduation to include Algebra 2 and specific science courses. The bill also moves from the high school FCAT toward end of course exams in specific courses such as Algebra 2, Biology, and Chemistry. This was the second bill to be heard by the committee and there was little time left for debate on the bill after the more controversial teacher quality bill was heard; however Senator Don Gaetz (R –Destin), who served as chair of the committee while Senator Detert handled the bill, permitted lobbyist **Stacey Webb** to voice strong support on behalf of AIF. The vote fell largely along party lines and passed with 6 Yeas and 2 Nays.



Stacey Webb

SB 4 will now move forward to be heard by the Senate Policy and Steering Committee on Ways and Means.

AIF SUPPORTS legislation that focuses on getting students prepared for more rigorous courses in high school and, thus, prepared for college and the workplace.

Growth Management

The House Military and Local Affairs Committee met today and considered **MLA 6**, a proposed committee bill (PCB) Relating to Growth Management and one of high importance to AIF. This bill provides a safety net for developers who have relied on certain provisions of last year's landmark growth management bill (SB 360), which is currently being challenged in state courts. Known as the "Community Renewal Act," SB 360 offered larger developments the option of avoiding the Developments of Regional Impact (DRI) process in certain densely populated areas, as defined by legislation. Should the challenge be successful and the bill be declared unconstitutional, numerous developers would face a regulatory nightmare for having followed the provisions of the bill, particularly as it relates to Developments of Regional Impact (DRI).

MLA 6 has been worked on with developers as well as the DCA, and as **Department of Community Affairs (DCA) Secretary Tom Pelham** so indicated, enjoys a consensus of support. The bill passed unanimously, without public testimony and with no amendments. **Richard Gentry, Esq.** waived in support of the bill on behalf of AIF.



Richard Gentry

MLA 6 has been filed as HB 7099 and will be referred to the Rules & Calendar council to be assigned to committees of reference.

In the event that 2009's SB 360 is found unconstitutional, AIF SUPPORTS the addition of language which clarifies that a developer still has the opportunity to re-enter the process without penalty.

Seaports

This morning, the Senate Commerce Committee unanimously passed SB 2000 Relating to Florida Seaports by Senator Jeremy Ring (D-Margate). Senator Ring explained that this bill will enhance the positioning of our state's seaports as global economic drivers of the future – particularly in light of the upcoming expansion of the Panama Canal and the resulting increase in international trade activity in the ports.

The committee adopted 2 amendments to the bill prior to its passage. One amendment by Senator Steve Oelrich (R-Gainesville) specified the Department of Environmental Protection's (DEP) permitting processes that ports will have to undergo if this bill passes. The amendment is designed to streamline and expedite current permitting requirements. The other amendment, sponsored by Committee Chairman Senator Rudy Garcia (R-Hialeah), deleted certain transportation funding and Qualified Target Industry (QTI) references from the bill. Both of these amendments address concerns that legislative staff raised in the initial bill analysis. A committee substitute for the bill will be released soon, incorporating these amendments as adopted.

Currently, the bill is scheduled to be next heard by the Senate Environmental Preservation and Conservation Committee. The House companion measure is sponsored by Representative Lake Ray (R-Jacksonville) who will be AIF's guest speaker at its next meeting of the Florida Maritime Council on March 18, 2010 at noon.

AIF salutes Senator Ring for passing this bill through its first committee of reference and applauds his vision for recognizing the need to enhance Florida's seaports for a more prosperous future. AIF SUPPORTS SB 2000 because of its potential to positively impact Florida's 14 deep-water ports.

Insurance

Today, the Senate Banking and Insurance Committee approved SB 2044 Relating to Property Insurance by Senator Garrett Richter (R-Naples). The bill contains many provisions designed to encourage insurers to write more business in Florida, to reduce costs from abuses by public adjustors that increase rates, and to protect consumers by increasing insurers' financial requirements.

After extensive debate by **AIF lobbyist Gerald Wester**, in partnership with representatives of the insurance industry, the committee rejected amendments championed by public adjustors and their allies. The first amendment sought to remove incentives in current law for public adjustors to submit new questionable claims on behalf of a homeowner, given up to five years after the closure of a claim file by an insurer. The committee also rejected an amendment which would further facilitate the state's suppression on insurance rates by authorizing the insurance consumer advocate to review rate filings and initiate or intervene in Office of Insurance Regulation rate hearings. The state's suppression of rates is the major contributor to the transformation of Florida's homeowner insurance market, from well capitalized national insurers to Florida-only under-funded insurers. Failure of two of these companies, coupled with dismal financial results of most others, raises serious doubts about whether many of



**Gerald
Wester**

these insurers will survive a hurricane. The state may impose up to a 4% tax on all businesses' property and casualty insurance premiums to pay for losses by these carriers, and up to a 30% tax to fund Citizens' claims paying deficits.

SB 2044 will now move to the Senate General Government Appropriations Committee for further consideration.

AIF SUPPORTS legislation which makes competition the primary determinant of insurance rates, including consumer choice for homeowners, flex rating for insurers and the exemption from prior OIR approval of rates for certain commercial policies. (View the AIF position on this issue)

Following the passage of SB 2044, Mr. Wester assisted the American Council of Life Insurance in amending SB 926 Relating to Trusts by Senator Richter. This amendment seeks to resolve concerns that the bill may have unintentionally facilitated the use of stranger-originated life insurance policies (STOLI). Under a STOLI arrangement, an investor induces an individual to purchase life insurance. For an upfront payment and payment of the premiums by the investor, the purchaser makes the investor the beneficiary of the policy. The investor profits if the death benefit he collects after the purchaser dies exceeds the upfront payment and premiums paid. The sooner the senior dies, the higher the profit. In addition to undermining the purpose of life insurance, STOLI arrangements, if found to be investment products by the Internal Revenue Service, may jeopardize favorable income tax treatment for businesses and individuals pertaining to life insurance.

AIF SUPPORTS efforts to pass legislation that eliminate abuses associated with stranger originated life insurance (STOLI) arrangements.

Economic Development

The House Economic Development Policy Committee met this morning for the purpose of hearing three economic development bills that AIF strongly supports. While two of the proposals are similar to past legislation, all three are unique to this session and are expected to gain support through the process.

HB 607 Related to Tax Credits for Research and Development by Representative Scott Plakon (R-Orlando) is this year's version of the previously proposed program. Last week, the committee held a workshop to discuss the merits of this bill that seek to award corporate income tax credits for companies that are identified as a target industry business, as defined by the state of Florida. Additionally, the awarded tax credit may not exceed 50 percent of a business' corporate tax liability in one year (including other corporate tax credits have been applied). These tax credits, which aren't available until 2011, would be awarded to businesses given the ability to carry forward, for up to 5 years. Additionally, any unused tax credits may be transferred or sold to other business entities, at no less than 75 percent of their face value. The purchaser, or assignee, must use the tax credit in the taxable year that the purchase or transfer of credit is made. The bill was widely supported and voted out unanimously by committee members.

HB 607 will now progress to the House Finance & Tax Council for further consideration.

AIF SUPPORTS measures that provide assistance to companies looking to bridge the gap between research and the commercialization of their products. (View the AIF position on this issue)

HB 983 Relating to Florida Research Commercialization Matching Grant Program by Representative Matt Hudson (R-Naples) faced slightly greater difficulty in its passage through committee. This bill recommends a proposal that would assist startup companies that have received two phases of federal grant approvals to become eligible for a grant amount of up to \$250,000. This grant requires the company to have their primary offices, as well as the majority of their employees, within the state of Florida. Additionally, the business seeking the award must illustrate various thresholds of success in their industry, including evidence of funding and capital from non-governmental sources. These grants, which have a yearly cap of \$4 million, would be scheduled to sunset in the year 2013. Despite a few pointed questions from committee members as to the accountability measures of the grants and possible provisions that may recapture some of the state's investments from the companies, the committee approved the measure unanimously.

HB 983 will now move on to be considered by the Transportation and Economic Development Appropriations Committee.

AIF SUPPORTS continued availability of state funds for enhancing economic development through incentives for start-up companies and the recruitment of new businesses and talent to Florida. (View the AIF position on this issue)

Lastly, but perhaps most importantly, the committee passed a "glitch bill" for last year's significant New Markets Tax Credit Program that is set to infuse millions into the state's low income business community. As AIF's top economic development priority from last year, HB 1229 by Representative Robert Schenck (R-Spring Hill) will revise various portions of last year's initiative to bring it into compliance with the federal program. In doing so, this legislation will further enhance the program's effectiveness and encourage further capital investment into the economy. **AIF lobbyist Stephen Shiver** stood present and waived in support of HB 1229.



**Stephen
Shiver**

HB 1229 will now advance to the House Transportation & Economic Development Appropriations Committee for further consideration.

AIF SUPPORTS HB 1229 and the "New Markets" Tax Credit Program because of its potential to create jobs and stimulate economic activity in areas of the state that need it the most. (View the AIF position on this issue)

The Senate Ways and Means Committee met to consider PCS/SB 1178 Relating to the Cost and Benefit Analysis legislation by Senator Mike Haridopolos (R-Melbourne).

Senate Haridopolos' bill mirrors current legislation sponsored by Representative Ralph Poppell (R-Titusville), HB 121, and Representative Steve Crisafulli (R-Melbourne), HB 91 that is currently moving through the House.

Proposing to insert a new financial mechanism into the state government's budgeting process, SB 1178 will require the state's financial experts to apply a cost benefit analysis to legislation in order to gather its full fiscal impact. Applying this analysis will not happen on every piece of legislation filed by members, but only to those at the specific request of the presiding officers.

The current practice for legislative staff and economist is to "score" a piece of legislation with a fiscal impact based on the possible negative fiscal impact to the state coffers. In other words, only the negative impacts to the state budget are recognized. This practice fails to account for any positive revenues or effects on the economy that one may have via tax breaks, tax incentives, etc. by the passage of the policy. SB 1178 will address this short sighted practice and will pave the way for a comprehensive analysis of policies meant to help strengthen the economy.

Legislation pertaining to cost-benefit analysis is one of AIF's top priorities for the 2010 Session. **President and CEO Barney Bishop**, along with **V.P. of Governmental Affairs Jose Gonzalez** have testified throughout numerous committees in support of the bill.



**Barney
Bishop**

**Jose
Gonzalez**

SB 1178 is scheduled to move to the Senate Rules Committee for further consideration.

AIF SUPPORTS legislation that addresses the cost-benefit analysis of economic development incentive policies. Additionally, AIF applauds Senator Haridopolos for continuing to move this bill through the Senate and will continue to work diligently towards its final passage. (View the AIF position on this issue)

Information Technology

Today, the Senate Governmental Oversight & Accountability committee took up and passed SB 1218 Relating to Information Technology by Chairman Jeremy Ring (D-Margate). This bill seeks to make significant changes to IT governance. Fundamentally, it creates the Office of Chief Technology Officer within the Department of Financial Services and creates three divisions within its oversight:

- Strategic Procurement;
- Policy Formulation, Development and Standards;
- and Implementation.

This bill raises significant concerns about what may happen to the Agency for Enterprise Technology (AEIT) which was created two years ago and charged with many of the same goals as this new Office of the Chief Technology Officer.

Senator Ring explained that the bill would prevent separate agencies from paying more than they would if IT purchases were enterprise wide. Senator Eleanor Sobel (D-Hollywood) commended Senator Ring for working to improve the state's IT purchases.

SB 1218 will now be considered in the Senate General Government Appropriations Committee.

AIF's Information Technology Council (ITC) is very concerned with future IT Governance for the state and will continue to follow this and other IT Governance bills very closely.

Elections

The House Economic Development and Community Affairs Council met to consider HB 1207 Relating to Campaign Financing by Representative Seth McKeel (R-Lakeland). This bill is virtually identical to SB 880 by Senator JD Alexander (R-Lake Wales) that was passed by the Senate Ethics and Elections Committee yesterday.

Like its Senate counterpart, HB 1207 seeks to reenact elections communications organizations in a form consistent with a recent federal court decision that struck down the old regulatory scheme on constitutional grounds. Additionally, it establishes freestanding "leadership funds" to be controlled by the majority and minority caucus leaders of each legislative chamber. Respective caucus leaders are expected to report their financial activities on a fund-by-fund basis to ensure transparency and accountability.

The bill passed committee with an 11-5 vote.

As a high priority bill for leadership in both chambers, HB 1207 will likely be heard on the House floor to be voted on by all members.

AIF SUPPORTS the enactment of Electioneering Communications Organizations (ECO) legislation that follows the guidelines established by federal courts. However, AIF will OPPOSE any such legislation that goes beyond these guidelines and thus infringes on the right of free speech per the First Amendment of the United States Constitution. (View the AIF position on this issue)

Gaming

SB 622 Relating to Gambling by Senator Dennis Jones (R-Seminole) was work shopped today in the Senate Regulated Industries Committee. The bill expressly voids the Indian gaming compact executed between **Governor Crist** and the Seminole Tribe of Florida on August 31, 2009. Additionally, it reauthorizes the Governor to negotiate and execute an Indian gaming compact on behalf of the state within sixty days of it becoming law. The bill further limits the Governor's authority to negotiate and execute a compact with the Tribe on any provision that is inconsistent with the terms and standards prescribed by the legislature during 2009 Regular Session.

In the event that a compact is not executed within sixty days and consequently ratified by the legislature, the bill directs **Florida's Attorney General Bill McCollum** to request the United States Attorney in to take criminal and civil action against the Tribe. Such action will force a cease and desist from continuing slot machine games and banked table games until ratification by the legislature.

The bill also includes pari-mutuel provisions which become law within sixty days if a compact is not executed. These provisions would significantly expand gaming in existing facilities throughout Florida, allowing for:

- All pari-mutuel facilities to offer electronic gaming machines;
- All pari-mutuel facilities to offer historical racing machines;
- All pari-mutuel facilities to offer Class III slot machine gaming if they are located in a county as defined in s. 125.011, F.S., or if the use of slot machines is approved in a countywide referendum;
- All pari-mutuel facilities to offer Class III banked card games and other casino-style gaming at card rooms if approved in a countywide referendum; and
- All pari-mutuel card rooms to offer intrastate Internet poker.

SB 622 is expected to be considered by the Senate Committee on Regulated Industries during its next meeting scheduled for Wednesday, March 17th.

AIF supports fair and equitable gaming in Florida and looks forward to uniform pari-mutuel statutes, rules and regulations.

Transportation

In the House Roads, Ports and Bridges Policy Committee, Representative Doug Holder (R-Sarasota) unanimously passed HB 41 Relating to a ban on “texting while driving”. The committee members, while supportive of the ban, continue to raise questions on enforcement and emerging technology, such as “voice texting”. A Senate companion has yet to be heard.

HB 41 is scheduled to move to the House Public Safety & Domestic Security Policy Committee for further consideration.

The House Transportation and Economic Development Appropriations Committee reviewed committee budget proposals this afternoon. In planning for the House budget, Chairman Rich Glorioso (R-Plant City) is recommending a sweep of \$428 million from the state transportation trust fund to be transferred to the state’s general revenue to pay for recurring programs in health care and education.

The funding of transportation projects using dollars from the state’s transportation trust fund is essential for Florida’s economic recovery. AIF OPPOSES the raid of transportation trust fund funding.