



From February 5, 2010

Legislators are in full “pre-season” mode as the start of the 2010 legislative session is only three weeks away. A number of important business issues were considered this first week of February including the unveiling of the long-awaited “Jobs” package in the Senate. The Senate’s Select Committee on Florida’s Economy has undertaken the task of passing a comprehensive piece of legislation that includes a number of provisions designed to deal with reducing Florida’s record unemployment. Please read the Economic Development section of this week’s report for more details on the package.

In addition, the House Economic Development and Community Affairs Council held a workshop on the proposal to reduce the unemployment compensation tax rate for Florida employers. AIF has played a leading role in developing a strategy to bring relief to employers.

Unemployment Compensation

On Wednesday, February 3rd the House Economic Development and Community Affairs Policy Council unveiled legislation to immediately relieve most Florida employers from this exorbitantly increased tax bill this year.

Representative Jennifer Carroll (R-Jacksonville) explained the proposal which contains the following tax saving components:

- Reduces the amount of each employee’s wages upon which the employer pays the UC tax – from \$8,500 back down to \$7,000 for 2010 and 2011.
- Establishes a quarterly payment plan for 2010 and 2011 that lets employers spread out their unemployment compensation payments over the whole year without normal application of penalties or interest.
- Eliminates all elements of the rate calculations in current law that increase the tax for purposes of replenishing the Unemployment Compensation Trust Fund balance for 2010 and 2011.
- Allows unemployed Floridians to receive additional extended unemployment benefits funded by the federal government.

Representative Dave Murzin (R-Pensacola), the Council Chair, indicated at the meeting that he anticipated this legislation will be presented to the Council again next week for a vote. He further cautioned the Council members that the Legislature must pass a bill to alleviate this enormous tax burden during the first week of the regular session, which opens on March 2, 2010. If they do not act timely, the current law will require the full amount of these taxes to be remitted to the state by April 30, 2010. The bill provides a payment plan, which will significantly diminish the disproportionate cash flow impact this tax hoists upon Florida businesses.

Florida employers are classified by their history of unemployment claims. Under the House Council Proposal, those employers at the minimum rate can expect this year’s tax rate to drop to approximately \$25.20 per employee – down from the current \$100.30 under current law. Those employers at the

maximum rate would pay \$379 per employee under this proposal – a decrease from \$459 per person under current law.

Review the complete bill language here
View the Council staff analysis here

AIF remains committed to responsible economic policy for Florida’s unemployment compensation system at tax levels that Florida employers can afford to pay while maintaining and expanding their businesses.

AIF applauds Chairman Murzin, Representative Carroll and the House Council for distributing a plan that will immediately lower the tax burden for Florida employers this year as we weather this economic storm and grow our businesses into the future.

Economic Development

On Wednesday, February 3rd the Senate Select Committee on Florida’s Economy unveiled its much anticipated “Jobs for Florida” package. Chairman Don Gaetz (R-Niceville) led the committee through a presentation of some of the proposals included in this omnibus economic development incentive package. Some of the major provisions in the package include:

- Expansion of authorized uses of \$14.5 million for space infrastructure at Launch Complex 36, to allow funds to also be used for improvement of other facilities
- Creation of the “Jobs for Florida Revolving Loan Program” so that small business owners have increased access to capital
- Transparency requirements in the use of public funds for economic development
- Creation of \$18,000 cap on amount of sales and use tax that may be collected for the sale of an aircraft or boat in Florida
- Expansion of tax incentive for machinery, manufacturing, and spaceports (eliminates existing businesses from having to show a minimum 10% increase in their productive output)
- Creation of \$1,000 per job corporate income tax credit for business that hire a person who has been unemployed for at least 26 weeks
- Creation of transferable corporate income tax credits for the film, entertainment, and *digital media products* industries (\$75 million)
- Increase of the annual appropriations cap for the QTI & QDSC (economic development incentive tools) from \$35 million to \$100 million
- Creation of the Florida Research Commercialization Matching Grant Program
- Delegation of DEP permitting authority to local governments after 1 year of inaction by DEP

The initial provisions in the package have been incredibly well-received by economic development agencies and the business community as a whole. The Select Committee will continue to debate and study the package in the weeks to come.

AIF fully SUPPORTS the provisions outlined by Sen. Gaetz in this “Jobs for Florida” package. With nearly 12 out of every 100 Floridians unemployed, Florida’s focus needs to be on finding a way to getting a paycheck back in these folks’ hands and doing all we can to help the employers that will put them back work. We are especially supportive of the proposals to increase access to loans for small businesses and freeing up encumbered funding for Space Florida to invest in critical infrastructure necessary to preserve our threatened space industry, both of which were key recommendations AIF recently made at the Job Summit in Orlando.

On Thursday, February 4th the House Transportation and Economic Development Appropriations chaired by Rich Glorioso (R-Plant City) met and heard from the Governor's new head of the Office of Tourism Trade and Economic Development (OTTED), Chris Hart. The Director's presentation centered on the office's budget request through the Governor's 2010-2011 budget. Hart recently moved over from his role as head of Workforce Florida to fill the vacancy left by Dale Brill who departed last month. Hart is a former member of the Legislature, serving in the House of Representatives earlier this decade.

OTTED is tasked with administering many of the state's economic development programs and incentives throughout communities in the state. Each year, however, the Florida Legislature must reenact funding for the programs, as it does with each expenditure within the state budgeting process. Due to declining revenues, funding for various programs has declined; yet because of the leadership of several members of the Legislature, many of the programs remain fully intact and continue to receive support. Additionally, while there are various bills this year crafted to tweak and slightly change some of these programs, many of the existing incentives administered by OTTED remain at the tip of the spear for the state's efforts to recruit, retain and build businesses.

Some highlights of Director Hart's budget presentation include the following:

- \$100 million for Innovation Incentive Program
- \$25 million for Quick Action Closing
- \$20 million for Space Florida
- \$15 million for Film and Entertainment
- \$12.6 million for Space Infrastructure (facilities for private space flight)
- \$20 million for the Road Fund
- \$21.4 Qualified Target Industry

The Governor's budget is effectively a recommendation to the Legislature as they retain the constitutional right to craft the actual budget. However, for his or her part, the Governor retains a line item veto pen that ultimately has the final say in a respective budget. Yet, this year the Governor's budget is based on no new revenues from taxes or fees, but instead utilizes monies from a potential gaming compact as well as trust funds. As the session grows closer it is now the Legislature's job to weigh their own priorities and write a budget that is fiscally prudent for the people of Florida.

As an ardent supporter of the incentive programs presented by Director Hart, AIF would encourage the Legislature to strongly consider doing the very best they can in funding these at the highest possible levels. Business growth and job creation is one of the most important ways Florida will rebound from our economic malaise.

Civil Courts & Justice

On Tuesday, February 2nd the House Civil Justice & Courts Policy Committee favorably passed HB 285, a bill by Representative Mike Horner (R-Kissimmee) which protects and restores the rights of parents to waive liability on behalf of their minor children. Without liability protection from a waiver, many businesses, particularly in the recreation and sports industries, will not allow minors to participate. Since many of these businesses cater to families, tourism, or directly to minors, this impacts their ability to stay in business.

Last year, the Supreme Court of Florida, in the case of *Kirton vs. Fields*, held that parents do not have the right to release a recreation provider from liability for injury on behalf of a child. HB 285 corrects this flawed opinion and statutorily grants a parent the authority to waive liability on behalf of their minor

child. AIF salutes Rep. Horner for tackling this issue which protects both our businesses and our children in a reasonable and sensible manner.

The bill passed committee this week on a 9-3 vote. It is referenced to be heard by the House Criminal & Civil Justice Policy Council in the next few weeks, after which it will be ready to be considered by the full House of Representatives.

AIF SUPPORTS the right of parents to waive liability on behalf of their minor children and thanks Representative Horner for taking on this important issue. Without liability protection from a waiver, many businesses, particularly in the recreation and sports industries, will not allow minors to participate. Since many of these businesses cater to families, tourism, or directly to minors, this could impact their ability to stay in business.

Communications, Energy, and Public Utilities

On Tuesday, February 2nd the Senate Committee on Communications, Energy, and Public Utilities took up one energy related bill this week, SB 1034, by Senator Fasano (R-New Port Richey), concerning the Public Service Commission (PSC). The bill expands the law concerning ex parte communications, applying the law to commission staff and expanding the types of communications considered ex parte. Ex parte is defined as being "from or on one side only". It would also require notice to the public and to the Public Counsel of any communication between a commissioner or commission staff and a regulated utility representative.

The bill further sets prohibitions for Commissioners and staff from accepting employment from regulated companies for two years following appointment or employment. The bill passed unanimously with one amendment and now goes to the Senate Rules Committee.

The House Energy & Utilities Policy Committee met Wednesday, February 3rd to consider two proposed committee bills (PCB), with both passing the committee unanimously.

- PCB EUP 10-01 (now HB 7003) relating to the Regulation of Electronic Communications. This bill would repeal the regulation of telegraph companies, as none appear to exist in Florida in this day and age. The bill also repeals some language concerning local exchange telecommunications companies which is no longer applicable.
- PCB EUP 10-02 (now HB 7005) relating to the Renewable Energy Property Tax Exemption. This bill repeals obsolete language in the statutes concerning the Legislatures ability to grant an ad valorem tax exemption to a renewable energy source device and to real property on which the device is installed and operated. This language was made obsolete because of the adoption in 2008 of a constitutional amendment placed on the ballot by the Taxation and Budget Reform Commission, which prohibits the assessed value of real property used for residential purposes to increase because of the installation of a renewable energy source device (i.e., solar panels, windmills, etc.).

The Committee also began a discussion of energy goals and a framework for the development of a comprehensive and cohesive State Energy Policy. As Chairman Stephen Precourt (R-Winter Garden) discussed with the AIF Energy Council at our meeting, his goal as Chairman of the Committee is to develop an energy policy for the State and to potentially look at all of the diverging entities involved in policy and regulation of energy. Many of the committee members offered their ideas concerning the possible goals or strategies to be considered in upcoming meetings. The development of this policy will continue in future meetings.

Finance & Tax

The House Finance & Tax Council held a workshop Wednesday, February 3rd on the working waterfront property tax issue and the implementation of **Amendment 6**. In 2008, the voters in Florida passed Amendment 6, a constitutional amendment that would require property appraisers to assess working waterfront properties at current use and not at highest and best use. Now legislation is needed to implement the language currently in the Florida Constitution. Last year the House passed implementing legislation but the bill died in the Senate. Staff discussed last year's legislation and the differences in SB 1408, a committee bill by the Senate Finance & Tax Committee. Some of those differences include:

- Definition of “waterfront” has been expanded to capture property that is separated by a public right of way as long as it has common ownership and the property has direct access to the water by crossing the right of way
- Assessment methodology in the Senate bill includes options of using income approach or current value. In no event shall the assessed value of the property exceed just value.
- Additional types of property were included in SB 1408 to capture “water-dependent facilities used for the commercial transportation of goods and people” and “water-dependent facilities used for activities that support the commercial transportation of goods and people.” It continues to state “These activities include, but are not limited to, towing, storage, and salvage.” These definitions were not included in the constitutional amendment.
- SB 1408 contains a severability clause in case the new definitions are challenged and found unconstitutional, meaning that those definitions that are specifically referenced in the constitution will stand.

Keyna Cory, on behalf of AIF, told the Council the history of the **Save Our Waterfronts Coalition** and why AIF was involved with the passage of Amendment 6 in 2008. AIF was actively involved with the campaign to pass Amendment 6. The marine industry had an economic impact of \$18 billion to Florida's economy and employed approximately 220,000 Florida citizens in 2004-05. Unfortunately those numbers dropped to \$16 billion and a little over 202,000 employees by 2008. Florida lost 2 major boat manufacturers. We cannot afford to lose any more marine businesses to other states like North Carolina because of the high property taxes. The working waterfront property owners were not looking for a tax exemption ... they just want to pay taxes assessed on current use and not highest and best use.

AIF was actively involved with the passage of Amendment 6 and is supporting this measure to implement it. Working waterfront properties should be taxed at their current use and not at the highest and best use as they are today. The marine industry has an economic impact of approximately \$18 billion per year and employs over 220,000 people in our state. This industry is too important to lose to other states because of our property tax system.

Environmental

The House Agriculture & Natural Resources Policy Committee met on Wednesday, February 3rd. Representative Trudi Williams (R-Ft. Myers) used most of the committee time to listen to presentations about the numeric nutrient criteria issue facing Florida. Florida Department of Environment Protection Secretary Mike Sole gave his perspective on how the proposed numeric nutrient criteria by the U.S. Environmental Protection Agency (EPA) will affect Florida. EPA proposal includes lake, stream, and canal criteria for the protection of aquatic life in each body of water. Additionally it sets stream criteria for

the protection of aquatic life in downstream water bodies. According to the Secretary Sole, Florida's streams will face the greatest difficulty in meeting the new proposed numeric nutrient criteria. EPA looked at Florida's healthy streams and took the top 75 percentile as acceptable. It hardly seems reasonable that 25% of our healthy streams do not meet the EPA test. As a result, Florida will have to spend a significant amount of money to clean already healthy streams. In flowing waters nitrogen levels are currently acceptable at 3 milligrams per liter. The new EPA criteria set the acceptable level at 0.824 milligrams per liter.

The Florida Panhandle has the most pristine water bodies in the state. Florida DEP shows only 5% are impaired but if we have to use the new EPA criteria, approximately 40% will be considered impaired. Sixty-eight percent of Florida's estuaries will be considered impaired with the new method. On an average, 80% of Florida's most pristine rivers and streams will be deemed impaired based on downstream protection values.

DEP does not have an economic analysis yet but according to EPA, the cost should be approximately \$1.5 billion. Secretary Sole believes it will take more than that to meet the new criteria.

Committee members asked what they can do. Secretary Sole told them unfortunately this is a federal issue. The state and others have a 60 day comment period to EPA's proposed rule and they are working on comments. Chair Williams told the committee members that she has been talking with Speaker Larry Cretul (R-Ocala) about bringing in an outside organization to review the EPA proposed rule; maybe the Academy of Science which is an independent, well respected entity.

Representative Rich Glorioso (R-Plant City) asked if Florida had been solely singled out to comply with EPA's ruling and Secretary Sole responded yes because of the lawsuit filed by EarthJustice and other environmental organizations. "So the Hudson River doesn't have to follow these standards? We all know how clean it is! That is not fair," replied Rep. Glorioso.

Other presenters talked about the cost of the new numeric nutrient criteria by EPA. According to where you live in the state, the monthly increase could range for an average homeowner \$12 - \$250 per month for water.

AIF SUPPORTS efforts to protect Florida's water quality, waterways and biologic resources. We also support the adoption of numeric nutrient standards provided they are science based and developed over an appropriate timeframe. However, the lawsuit-driven proposed numeric nutrient criteria coming from EPA are scientifically unsupported, arguably economically unattainable, and not reasonably related to the health of flora and fauna of Florida's waters.

Transportation

The House Roads, Bridges and Ports Policy Committee met on Wednesday, February 3rd to hear from Florida Department of Transportation Secretary Stephanie Kopelousos on the agency's 2010 legislative proposal (view a copy of the Secretary's proposal). Secretary Kopelousos covered the agency's key legislative initiatives for the upcoming legislative session. These include:

- A proposal to codify the Engineer Training, Senior Engineer Training, and Rights of Way Training Program and to provide associated incentive pay increases;
- A proposal to increase the number of pre-qualified contractors;
- Changing the assessment of points for toll violations;
- Authorizing rulemaking authority for video tolling; and

- Authorizing the creation of a special trust fund for the issuance and payment of GARVEE bonds.

Also speaking at the committee hearing was Clarence Marsella from MV Transit. Mr. Marsella made a 20-minute presentation to the committee on the importance of using the private sector in public transit. The essence of Mr. Marsella’s presentation was a requirement that the Legislature mandate local transit agencies/authorities contract out 20% of their fixed route/scheduled bus service to a private company via competitive procurement. Mr. Marsella stated that while the private sector provides a great deal of the transit transportation needs for the disabled/special needs population, very little of the fixed route/scheduled bus service is privatized. The members of the committee had questions, including whether or not local governments and agencies currently had authorization to privatize. Mr. Marsella stated that yes they did – but the need is so great for private sector efficiency in the transit system (which lags far behind other states/countries) that a legislative mandate is necessary to bring the private sector into the local transit systems.

Education

While most of the focus in education this week was surrounding the Governor's budget, the biggest news of the week came on Tuesday, February 2nd when Senator Don Gaetz (R-Niceville) and Representative Will Weatherford (R-Wesley Chapel) announced their joint plan to "Resize Class Size". The following is an excerpt from Sen. Gaetz's announcement:

“Our proposal does not change the class size targets voters approved in 2002,” said Sen. Gaetz who previously served as a school superintendent in Okaloosa County. “This proposed amendment charts a course forward that is fiscally sound and sustainable; respects the role of local educators to make staffing, operations and other decisions; and keeps class sizes at a level where teachers can teach and children can learn.”

Instead of the hard, inflexible class size caps instituted by the 2002 amendment, the Constitutional amendment proposed by Sen. Gaetz and Rep. Weatherford would implement class size caps as a school average and provide flexibility for schools to add 3 seats in pre-K to 3rd grade classrooms and 5 seats in grades 4 through 12, if necessary, to meet unforeseen enrollment changes. It would require a 3/5 vote of the Legislature to put the Gaetz/Weatherford Constitutional amendment to “right size class size” on the ballot in November. It would require approval of 60% of voters to become law.

In 2002, 52% of Florida voters approved the Class Size Amendment. Since then, the state has invested \$16 billion to meet the amendment’s requirements. As a result, the average class size in Florida’s schools has fallen significantly.

Grade	2003 Per Class Average	2009 Per Class Average
PreK through 3	23 students	16 students
4 through 8	24 students	19 students
9 through 12	24 students	22 students

To ensure our state has a highly skilled and competitive workforce, Florida’s schools must focus on well-rounded education standards rather than class sizes. Today’s children will be Florida’s future business leaders and attention must be given to a comprehensive curriculum that will produce qualified employees. By promoting flexibility in class size requirements, our children will receive a balanced education that can successfully meet the future needs of Florida’s employers.

AIF has supported the class size reduction mandate and appreciated what it has meant for job creation due to the increased need for classroom construction. However, AIF also supports the changes proposed by Sen. Gaetz and Rep. Weatherford to make the class size amendment more workable for districts, schools, teachers, and parents. AIF salutes Sen. Gaetz and Rep. Weatherford for their leadership and commitment to safeguarding our children’s education through the “Right Size” Class Size amendment while simultaneously saving tax dollars.”