



DAILY BRIEF

From March 30, 2011

Meeting for nearly 12 hours today, the House Appropriations Committee deliberated several of the House's budget proposals by its respective appropriations subcommittees. Some of AIF's top priority measures were included in today's considerations, including:

- HB 1405 Relating to Retirement: The House's comprehensive plan to reform Florida's Retirement System (FRS) is anticipated to save the state approximately \$710 million.
- HB 5101 Relating to Kindergarten through Grade 12 Education Funding: This proposal will allocate more funds towards technological expansion in schools while providing greater flexibility to school districts in implementing state-mandated class size requirements.

In the Senate, members passed two growth management measures that have been a top priority for AIF since 2009. HB 7001 Relating to Growth Management and HB 7003 Relating to Affordable Housing, which are now heading to the Governor's desk for his approval, were part of a landmark growth management bill that was ruled unconstitutional by a circuit court two years ago. Read more about these measures, and more, in today's edition of the *Daily Brief*.

Health Care

This morning, the Senate Health Regulation Committee approved SB 1972 by the Senate Health and Human Services Appropriations Subcommittee. This bill will substantially reform the manner in which Florida's Medicaid Program is administered. Senate President Mike Haridopolos (R-Melbourne) kicked off the discussion by thanking members, particularly Senator Joe Negron (R-Palm City), for taking the time to delve into the details surrounding this important issue. Specifically, he asked for members' support of SB 1972 and said, "This is about access, but this is also about quality".

Senator Negron noted that the Medicaid program is continually taking a larger portion of the state's budget. "It's crowding out funding for public education, public transportation, public safety and economic development,". He further noted that in twelve years, the amount spent on Medicaid would be what the state is spending for its entire budget at this time. Senator Negron touched on the top issues addressed in the proposal, which included the following:

- Ensures every Medicaid recipient has a doctor. Many recipients are confused about how to access a primary care provider and therefore end up receiving services in a more expensive setting - an emergency room;
- Allows recipients to take the funding the state would have provided for their care and allow them to purchase coverage on their own;
- Increases reimbursement beginning in 2013 to physicians caring for the state's neediest citizens; *and*
- Enhances legal protections for providers that choose to partner with the state to care for our Medicaid recipients

Senator Negron further noted that many of the changes being made to the Medicaid program will require a federal waiver, but he feels confident, based on how the federal government has addressed waivers requested from other states, that Florida will receive approval. If a waiver isn't secured, the proposal lays out a process for the state to operate its own Medicaid Program.

Following discussion and debate, the committee unanimously approved the measure.

SB 1972 is expected to be re-referenced to move next to the Senate Health and Human Services Appropriations Subcommittee, chaired by Senator Negron.

On the House side, the Medicaid reform proposals - HB 7107 and HB 7109 by the Health and Human Services Committee - are expected to be approved by the full House later this week.

AIF SUPPORTS the Legislature's plan to make bold changes to the Medicaid Program by streamlining this highly fragmented delivery and payment system. The House & Senate proposals implement efficiencies and accountability to enable the state to have budget predictability with this program moving forward.

Space

Today, the House Finance & Tax Committee passed two space-friendly measures that will further support this vital industry in Florida.

First, members unanimously passed HB 143 Relating to Tax Credits by Representative Ritch Workman (R-Melbourne). Passing with unanimous consent, the bill authorizes an aerospace-sector jobs tax credit and tuition reimbursement tax credit against state corporate income taxes. The intent of the bill is to encourage both the creation of aerospace jobs and the increased availability of higher education and training to existing aerospace industry employees.

HB 143 now advances to the House Appropriations Committee for further consideration. The Senate proposal, SB 790 by Senator Thad Altman (R-Melbourne), awaits consideration in the Senate Commerce & Tourism Committee.

AIF SUPPORTS legislation that will create jobs within the aerospace sector, while maintaining those currently in existence. With the Space Shuttle program nearing its end, failing to act would have drastic consequences for the space industry in the state and associated jobs in those businesses.

The second bill taken up by the committee today was HB 873 Relating to Corporate Tax Credits for Spaceflight Projects by Representative Steve Crisafulli (R-Merritt Island).

The retirement of the Space Shuttle later this year, and the cancellation of its successor Constellation program, is projected to leave in its wake the loss of as many as 9,000 Florida jobs directly associated with the program. HB 873 creates two corporate income tax credits (transferable and non-transferable) for certified spaceflight businesses that meet specified job-creation and investment levels. These incentives are:

- A non-transferable tax credit equal to 50 percent of the net corporate income tax liability in a given tax year. Total tax credits available will be capped at \$10 million per state fiscal year, with individual businesses eligible for a maximum \$1 million each year.
- A transferable corporate income tax credit based on a certified spaceflight business' net operating losses, and which can be sold to any other Florida corporate income taxpayer. Total tax credits available will be \$25 million per state fiscal year, with individual businesses eligible for a maximum \$2.5 million each year.

Members unanimously passed the bill without debate or opposition.

HB 873 will now proceed to its final stop in the House Economic Affairs Committee. The Senate measure, SB 1224 by Senator Thad Altman (R-Melbourne), is now in the Senate Budget Committee.

AIF SUPPORTS legislation that will provide much needed assistance to Florida's ailing space industry. Furthermore, AIF commends Representative Crisafulli for his continued leadership and support of aerospace commerce in the House of Representatives.

Insurance

Today, the House Insurance & Banking Subcommittee passed HB 1243 Relating to Citizens Property Insurance Corporation by Representative Jim Boyd (R-Bradenton). As Representative Boyd explained today, the reality of Florida's insurance market is that a storm of enough significance will inevitably bankrupt the state. Citizens Property Insurance Corporation insures less than 15% of the market, yet the remaining 85% of Florida's population pay assessments that back the artificially low rates of Citizens' policyholders.

HB 1243 will result in a substantial reduction of Citizens, reducing the exposure and losses it currently experiences. The bill calls for a glide path and capped rate of increases on premiums by 20% per territory and 25% on any individual policyholder. In addition, the bill raises the amount of an emergency assessment levied against Citizens policyholders and precludes further coverage of sinkhole damages following the renewal of policies in 2012. These provisions will return Citizens to an insurer of last resort and thus reduces the potential for hurricane taxes.

HB 1243 will now proceed to its final stop in the House Economic Affairs Committee. The Senate measure, SB 1714 by Senator Alan Hays (R-Umatilla), is now in the Senate Budget Committee.

AIF SUPPORTS legislation that will to return Florida's insurance market to a point of sustainability and viability. AIF salutes Senator Hays for his commitment to return Citizens to an insurer of last resort and thus, substantially reduce the potential for hurricane taxes on businesses' insurance premiums.

Growth Management

Today, the full Senate met and considered two pieces of growth management legislation on third reading – HB 7001 Relating to Growth Management and HB 7003 Relating to Affordable Housing by the House Community & Military Affairs Subcommittee. All of the aforementioned bills comprised the “Community Renewal Act” under 2009’s SB 360. SB 360 was a landmark growth management bill that offered larger developments the option of avoiding the Developments of Regional Impact (DRI) process in certain densely populated areas. This action is intended to cure the problem of violation of the Constitution’s ban on more than one subject in a single bill, as was raised by a circuit court in 2009 when it found SB 360 to be unconstitutional. HB 7003 and HB 7001 were passed without debate on the floor.

HB 7001 and HB 7003 will now be sent to the Governor to be signed into law.

AIF SUPPORTS efforts to re-enact the Community Renewal Act so as to guarantee that those developments which relied on the legislation, as well as those needing to avail themselves of its benefits, can proceed with certainty.

Today, the full Senate also passed another growth management measure – SB 410 Relating to Impact Fees by Senator Mike Bennett (R-Bradenton). In what has continued to be a non-controversial issue, SB 410 would create the “preponderance of the evidence” standard of review for the government in cases challenging the imposition or amount of an impact fee. At the present, a local government wins if their action was “fairly debatable”. Under SB 410, local governments must prove their case by the preponderance” of the evidence, which is the standard in civil cases today. Essentially, the bill will take away the “upper hand” that local governments have in defending their ordinances in court.

SB 410 will now proceed to the House for consideration by its members. The House version, HB 7021 by the House Community & Military Affairs Subcommittee, is on second reading in the House and is expected to be substituted by SB 410 and passed in the coming weeks.

AIF SUPPORTS a thorough review and, where appropriate, a limitation on the use of impact fee. Through all of the Legislature’s attempts to lower taxes, they have yet to place any mandates of fairness or limitation on the ever-growing local government funding source of “user fees”.

Environmental

Senator Charlie Dean (R-Inverness) presented SB 1698 Relating to Onsite Sewage Treatment and Disposal Systems in the Senate Environmental Preservation & Conservation Committee. This legislation addresses septic tank evaluation programs in Florida. In 2010, legislation was passed that set in place a mandatory inspection of all septic tanks. After an outcry from the public, legislation was proposed this session to change the mandatory inspection program. SB 1698 would allow local governments to opt out of an inspection program; however, an amendment by Senator Dennis Jones (R-Seminole) would not allow a county that has a first magnitude spring to opt out of the program. The bill also creates a model ordinance so that a patchwork of rules and regulations would not exist.

Keyna Cory, Senior Lobbyist for AIF testified in support of the bill. "AIF has worked with a group of stakeholders to create a septic tank evaluation program that is workable," said Cory. AIF has been working with the Florida Home Builders; Florida Association of Realtors and the Florida Onsite Wastewater Association on this bill. She also thanked Senator Dean for his work on the bill.



The bill passed with unanimous consent. SB 1698 will now advance to the Senate Commerce & Tourism Committee for consideration.

AIF SUPPORTS revising the legislation dealing with the septic tank inspection program passed last session. Further, AIF salutes Senator Dean for his efforts to bring all stakeholders together and produce a workable solution to the septic tank evaluation program.

The Senate Environmental Preservation and Conservation Committee also took up and unanimously passed another AIF priority measure today - SB 1514 Relating to Permitting of Consumptive Uses of Water by Senator Jack Latvala (R-St. Petersburg). This proposed legislation requires water management districts (WMDs) to issue 20 year consumptive use permits, also known as CUPs.

Currently, the Department of Environmental Protection (DEP) and the WMDs may issue a CUP for a period of 20 years if requested, provided there is sufficient data that provides reasonable assurance that the conditions of the permit will be met during the duration of the permit. SB 1514 eliminates an applicant's requirement to provide reasonable assurances to a WMD in order to receive 20-year CUP and also eliminates the requirement that permit holders submit a 10-year compliance report for their permits. This change is needed for long term planning and financing and lessens the cost for preparing CUP applications, saving entities time and money. In addition, the measure allows a shorter permit to be requested by the permit holder if they so choose.

SB 1514 will now advance to the Senate Agriculture Committee. The identical House measure, HB 1001 by Representative Trudi Williams (R-Ft. Meyers), is now in the House Agriculture and Natural Resources Subcommittee.

AIF SUPPORTS the extension of consumptive use permits (CUPs) to properly plan for the future and assist in the financing of key water projects.

Legal & Judicial

Today, the Senate Governmental Oversight & Accountability Committee unanimously passed SB 866 Relating to Judgment Interest by Senator Ellyn Bogdanoff (R-Ft. Lauderdale). Addressing the calculation methodology for judgment interest, this issue is important to Florida businesses because the current methods create situations where exorbitant and inequitable interest rates result in the over-compensation of plaintiffs, discouraging settlements and holding the defendants financially liable for delays they do not cause.

The original bill revised the statute to index the rate at 300 basis points above the current prime rate; however, amendments in the last committee stop revised the bill to 450 basis points. This significantly weakens the bill since the current statute is set at 500.

Nonetheless, the bill was unanimously passed out of committee today and will hopefully see additional and more meaningful revisions in the future.

SB 866 is now scheduled to proceed to the Senate Budget Committee, its final committee of reference before heading to the floor. The House measure, HB 567 by Representative Matt Hudson (R-Naples), is scheduled to be heard by the House Judiciary Committee on Thursday, March 31st at 12:00 pm.

AIF SUPPORTS revising current law to create a more fair and balanced formula for applying interest to damage awards.

Taxation

Today, the House Finance & Tax Committee considered and passed HB 733 Relating to Tax on Sales, Use, and Other Transactions by Representative Elizabeth Porter (R-Lake City). Known as the “Sales Tax Holiday”, this bill will allow consumers to purchase tax-exempt goods between August 12th and August 14th, 2011. Items free from sales tax in the bill cover clothing, text books and other school supplies. The bill passed without opposition or debate.

HB 733 has one more stop in the House Appropriation Committee. The Senate measure, SB 508 by Senator Elynn Bogdanoff (R-Ft. Lauderdale), is now in the Senate Education Pre-K - 12 Committee.

AIF SUPPORTS increasing business activity by allowing Floridians to purchase essential school supplies and other necessities without paying sales tax.

Today, the House & Finance Tax Committee approved a top corporate income tax proposal for AIF – proposed committee bill **(PCB) FTC 11-03**. The bill would implement a “Single Sales Factor” option for apportioning corporate income tax for Florida businesses. To be eligible, businesses must have, on or after July 31st, made qualified capital expenditures equal to or exceeding \$250 million and have maintained the number of full-time employees who were employed by the business at the time of application. The single sales factor method of apportioning corporate income taxes allows for businesses to be taxed only on their sales in Florida instead of factoring in the amount of property and pay roll they may have.

In addition to the Single Sales Factor provision, FTC 11-03 aims to repeal Chapter 221, F.S. relating to emergency excise taxes. This statute currently brings in less than \$15,000 to the state in terms of revenue, but it is extremely burdensome and complicated for corporations to have to deal with. Therefore, repeal of this little-used provision will go a long way in simplifying tax returns for companies doing business in Florida. AIF is very supportive of this provision and recognizes its importance to Florida’s corporate income tax payers. **Jose Gonzalez, AIF’s Vice President of**



Governmental Affairs, was present to testify before the committee and express AIF’s support and appreciation for this good bill. He further commended Chair Steve Precourt (R-Orlando) for jointly addressing the Single Sales Factor issue, as well as the repeal of Chapter 221 of Florida’s corporate income tax code. Allowing for the optional election of a single sales factor for apportioning corporate income taxes will be well-received across boardrooms that may be looking to invest in Florida. AIF staff is currently working on reducing the \$250 million threshold in order to make it attractive to a larger universe of companies.

PCB FTC 11-03 will now be re-filed and referenced to further committees. The Senate bill, SB 1506 by Senator Jeremy Ring (D-Margate), is now in the Senate Budget Committee.

AIF SUPPORTS a voluntary Single Sales Factor (SSF) option in apportioning corporate income tax in Florida. By offering a positive change to the state’s corporate income tax policy, companies are encouraged to relocate and conduct business in Florida. Further, AIF commends Chairman Precourt for his efforts to modernize Florida’s tax code by repealing Chapter 221.

Pension Reform

The House measure on pension reform for public employees, HB 1405 by Representative Ritch Workman (R-Melbourne), was passed out of the House Appropriations Committee today. Passing by a partisan vote, the committee's time was largely consumed by highly charged and emotional testimony from police, firefighters, teachers, and committee members themselves.

Although remaining substantively the same during today's committee meeting, HB 1405 was substantially amended at its last stop to require a three percent contribution, down from five percent, by employees of all classes of the Florida Retirement System (FRS) to a 401(k) Investment Plan. Governor Rick Scott is advocating a mandatory five percent contribution among all employees.

The amended bill also:

- Reinstates the health care subsidy used by retirees to assist in making health insurance premium payments, which had been removed;
- Moves the accrual rate for all employees in all classes back to the *status quo*;
- Closes the Deferred Retirement Option Plan (DROP) to new participants. (DROP allows an employee to retire while continuing employment for up to 60 months, or up to 96 months for certain instructional personnel); and
- Increases the retirement age and years of service for those initially enrolled on or after July 1, 2001, from age 55 to 60 years of age, and from 25 to 30 years of service for members of the Special Risk Class; and from 62 to 65 years of age, and from 30 to 33 years of service for all other classes, whichever comes first.

HB 1405 does not affect current employees, but any new hires on or after July 1, 2001 would be subject to the revisions. In addition, the bill does not delve into local retirement pension plans, as does SB 1128 by Senator Jeremy Ring (D-Margate). Representative Workman further stated that the bill is estimated to save taxpayers \$710 million.

HB 1405 has passed its final committee of reference in the House. The comparative Senate measure, SB 1130 by Senator Jeremy Ring (D-Margate), awaits consideration in the Senate Budget Committee.

AIF SUPPORTS efforts to bring Florida's pension system more in line with that of the private sector. Florida's taxpayers are shouldering the burden of the growing liability of these state and local government pension plans.