



From the Week of January 10 – 14, 2011

As members of the Legislature congregated for another round of committee hearings this week, the ongoing decline in state revenue painted a grim picture for FY 2011-2012 budget. As the Chief Economist testified before the Senate Budget Committee, she elicited a pessimistic outlook that prompted questions from legislative leadership: *How can we provide tax cuts and incentives to Florida's employers without dramatically cutting state expenditures on goods and services?*

In this week's report, AIF has covered hearings and votes on legislation dealing with health care mandates, the budget, and economic development & tax incentives that seek to make Florida a more business-friendly environment. Also included in this edition is an update on the fight against Numeric Nutrient Criteria that seek to burden Florida businesses.

We will continue to keep you in the know as Legislators are scheduled to meet again during the week of January 24 to discuss the very important issues that affect you.

Budget

On Wednesday, January 12th members of the Senate Budget Committee met to hear updates on the outlook of Florida's budget. Amy Baker, serving as the Coordinator of the Office of Economic and Demographic Research (EDR) and the Legislature's chief economist, continued her streak of delivering bad news and explained that next year's budget shortfall could be \$3.62 billion, not \$3.5 billion. A big cost driver is the swelling of Medicaid rolls that create rising costs as the economy continues to stagnate. Since last summer, the state now estimates it needs \$328 million more over the next 18 months to pay for the state-federal program.

Furthermore, gross receipts taxes are forecast to be down 3 percent. That means the state will have about \$300 million less to spend on school and university building projects next budget year.

As Medicaid rolls continue to swell, AIF supports efforts to reform Florida's Medicaid system. A managed care model could save the state billions, thereby reducing our state's deficit. Additionally, AIF will continue to work with executive & legislative leadership to reduce the continuing budget deficit.

Taxation

On Thursday, January 13th the House Finance & Tax Committee met to hear presentations by staff on Florida's tax structure, a review of the committee's major activity last session and a review of possible issues for 2011.

During the meeting, Chairman Steve Precourt (R-Orlando) made it clear that the committee would conduct an extensive analysis of the state's many special taxing districts.

Chairman Precourt also said the issue of a revenue cap such as the tax payer's bill of rights (TABOR) from last session would be addressed. This proposal is a priority of Senate President Mike Haridopolos (R-Melbourne).

In addition, the corporate income tax "piggy back" bill this session may be more controversial because of the Federal tax changes recently passed in Congress. If the state chooses to include them it will cost the state an undetermined amount of revenue.

Dr. Don Langston, Staff Director of the House Committee on Finance & Tax mentioned the Governor's proposal to phase out the corporate income tax, a \$2 Billion revenue source, may be before the committee. He said there were no details on the proposal at this time.

AIF will continue to support measures that provide Florida's employers tax relief and create jobs for the unemployed. We will continue to monitor all of these topics as we approach the start of the 2011 session.

Health Care

On Tuesday, January 11th the Senate Health Regulation Committee considered SB 96 Relating to Mammogram Reports by Senator Jeremy Ring (D-Margate). The bill includes language that would provide for supplementary screening tests.

After learning of its pitfalls, members of the committee were apprehensive to embrace the legislation. There was concern that this bill would drive up additional imaging, and that the decision of whether to do additional screenings should be a discussion between the patient and physician. The College of Radiology suggests this as well. Furthermore, **similar language passed the Connecticut legislature in 2009 and its effects were still uncertain.**

Members unanimously agreed to temporarily postpone SB 96 this week. Also factoring in to the decision is the uncertainty of whether legislative leadership will place their support behind the bill.

AIF OPPOSES any health insurance mandate that makes healthcare coverage less affordable and accessible to Florida employers. Furthermore, AIF calls for the Legislature to acknowledge and use the current statutory requirement for any proposed mandate to have a cost study conducted prior to its approval.

On Wednesday, January 12th Chair Gayle Harrell (R-Port St. Lucie) commenced the Health & Human Services Access Subcommittee meeting by asking all members to introduce themselves and share any health care experience they had.

Following the introductions, Chair Harrell went directly into the presentations. There were four presenters starting with The Agency for Healthcare Administration (AHCA). The first presentation concerned data collection, data quality, dissemination and communications and transparency which implemented several laws passed by the legislature in 2004 and 2008.

Next, AHCA presented their Health information exchange initiatives. The agency representative explained how The American Recovery and Reinvestment Act provides incentives for the adoption of subsequent meaningful use of certified Electronic Health record technology.

Subsequently, the Harris Corporation made a very technical presentation on Health Information Exchange project framework.

Ms. Lisa Rawlings, Executive Director of the South Florida Regional Extension Center gave an excellent presentation on the progress her Center was making on implementing the "Health Information Technology for Economic and Clinical Health", or the HITECH Act. Enacted as part of the American Recovery and Reinvestment Act, the HITECH Act was created to promote the adoption and meaningful use of health information technology.

The members had only a few questions in light of the thorough presentations before the committee. Representative Steve Perman (D-Boca Raton) asked about promotion of the web site with all the health information discussed in www.floridahealthfinder.gov and www.myfloridaRx.com. He added that as a provider he did not know about the web site and all of the valuable information that it provided. The response was that expanded promotional efforts and website outreach are next steps for AHCA.

Representative Ana Rivas Logan (R-Miami) asked if the programs were self sustaining. The presenter said that that they were and emphasized the necessity of keeping costs down.

The sense of the members was that the meeting was very informative on health information technology and that more time would be needed to make all the necessary state decisions to completely implement the federally incentivized programs. Additionally, Chair Harrell is to be commended for her management of committee time to allow for each of the many detailed presentations to be included within the time allotted.

AIF supports a self-sustaining health information exchange that provides individuals the information they need at their fingertips. AIF will continue to oppose any mandates that cause a rise in premiums and costs for employers.

Growth Management

On Tuesday, January 11th the Senate Community Affairs Committee met and heard several Memorials to Congress regarding the Deepwater Horizon oil spill, passed them, and then took up three bills which together constitute the sum of 2009's SB 360. As many recall, SB 360 was a landmark growth management bill, known as the "Community Renewal Act," 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 last year when it found SB 360 to be unconstitutional.

The three bills deal with security cameras, SB 172 by Sen. Mike Bennett (R-Bradenton); Growth Management, SB 174 by **Sen. Bennett**; and Affordable Housing, SB 176 by **Sen. Bennett**. Cohesively, these three bills are precisely the same as they existed in SB 360. The bills dealing with security cameras (SB 172) as well as affordable housing (SB 176) passed with little debate and no votes against them; however, the growth management bill (SB 174) drew criticism from Senators Ronda Storms (R-Brandon) and Paula Dockery (R-Lakeland), who ultimately voted against the measure. The bills now head to the Governmental Oversight and Budget Committees, and are expected to be brought to the Senate floor as soon as possible. The bills have not yet moved in the House.

On Wednesday, January 12th the House Community and Military Affairs Subcommittee met and heard reports and updates on the Florida National Guard, the new Homestead Exemption for deployed military personnel, local government in Florida, and finally, an update on the litigation surrounding SB 360, which remains on appeal. Chairman Ritch Workman (R-Melbourne) did say that the committee would likely be taking up SB 360 at its next meeting, and explained that it was his intention to pass the bill as the Senate had – in its original form. Both Committees will be bringing forth growth bills which are widely expected to change both the "Community Renewal Act" act, as well as the Department of Community Affairs (DCA).

AIF SUPPORTS the addition of language which clarifies that a developer still has the opportunity to re-enter the process without penalty. Such legislation will prevent numerous developers from facing regulatory uncertainty for having followed the provisions of SB 360, particularly as it relates to Developments of Regional Impact (DRI).

Environmental

Water issues were discussed in several committees this week setting the stage for future action by the Florida House and Senate.

On Wednesday, January 12th the newly created House Federal Affairs Subcommittee heard a presentation by John Glogau from the Office of the Attorney General about the current law suit filed against the Environmental Protection Agency (EPA).

In 2008, Earth Justice, the Florida Wildlife Federation and other environmental organizations sued EPA under the Clean Water Act. They wanted EPA to agree to impose numeric nutrient criteria (NNC) standards on Florida water bodies. Currently, Florida uses narrative nutrient criteria which are much more workable. Unfortunately, EPA settled the lawsuit in 2009 agreeing to their terms. The new numeric nutrient criteria rules for inland waters were to go into effect on November 15, 2010 but EPA provided the regulated industries 15 additional months before they will adopt the rules. Additional rules for estuaries/coastal/flowing waters in South Florida will be proposed by November 14, 2011 and must be adopted by August 15, 2012.

These new numeric nutrient criteria rules are very costly. Studies have shown the new water standards will increase the average cost per household to approximately \$700 per year, just for their water bill. Additionally, many industries will need to spend millions of dollars each year for compliance.

Former Attorney General Bill McCollum filed a law suit against EPA to stop these new rules. Current Attorney General Pam Bondi is continuing with the law suit and Mr. Glogau shared the background with members of the committee. Moving forward, AIF expects the House Federal Affairs Subcommittee to hold additional hearings on this issue.

Also on Wednesday, the Senate General Government Appropriations Committee heard presentations about Total Maximum Daily Loads (TMDL) and the numeric nutrient criteria issue. Jerry Brooks from the Florida Department of Environmental Protection (FDEP) explained that Florida has been working on improving its water bodies since 1999. Presently, DEP is waiting to see how they can implement the new numeric nutrient criteria. There seems to be a lot of uncertainty on everyone's part on how to implement the new rules.

Representatives from Deland and Volusia County told the Senators the cost to implement the numeric nutrient criteria is a real problem, especially with the difficulties of bonding any project today.

Keyna Cory, Senior Lobbyist for AIF told the committee the business community is very concerned about the new water standards. "EPA has stated that the cost to implement the new water standards would only cost \$120 - \$130 million a year which they claim would cost the average household approximately \$15.00 per year. However, from the studies we have seen, the total cost for compliance over 30 years will be somewhere between \$47.6 and \$98.7 billion. In other words ... the average household will see their water bill increase on an average of \$700 per year. She continued citing numbers on each



Senator's district and they were alarmed at what their constituents may face in the very near future.

Individual industries affected by the EPA numeric nutrient criteria include:

- Florida Citrus – Annual cost for compliance: Over \$100 million
- Florida Dairy – Annual cost for compliance: \$70.8 million
- Agricultural – Annual cost for compliance: \$902 million to \$1.605 billion
- Florida Sugar Cane – Annual cost for compliance: \$50 million
- Phosphate - Annual cost for compliance: \$59 million
- Florida Pulp & Paper - Annual cost for compliance: \$169 million

Cory also told the committee about the Cardno ENTRIX study that was conducted last November. "One of the most alarming statements in the study is the following: *'There is little quantifiable benefit demonstrated with respect to improving water quality in healthy water bodies that will now be considered "impaired" under EPA regulations.'*"

She thanked Chairman Alan Hays (R-Umatilla) for discussing this important issue and encouraged him to hold additional hearings. "Florida is going to be at an economic disadvantage with these new water standards", Ms. Cory added.

On Thursday, January 13th Chair Trudi Williams (R-Ft. Meyers) held the first meeting of the newly created House Select Committee on Water Policy. Members of the committee heard a presentation by Michael Kliner on the history of Florida's water policy and about the numeric nutrient criteria issue. Other presenters included Jennifer Fitzwater, Deputy Secretary of the FDEP and Ernie Barnett with the South Florida Water Management District. More meetings will be held on the importance of water quality and water quantity over the coming months.

AIF has created a Numeric Nutrient Criteria Task Force that goes beyond AIF members and includes local governments and public utilities and are working vigorously to find a solution to this looming situation.

AIF will continue to oppose unfounded numeric nutrient criteria that fail to employ scientifically valid standards. Until a measurable benefit can be verified with respect to improving water quality, AIF will continue to be opposed to EPA's proposed regulations that seek to drive up costs for Florida's employers and consumers.

Economic Development

The House Economic Development and Tourism Committee chaired by Rep. Doug Holder (R-Sarasota) met for the first time this week heading towards the 2011 Legislative Session. The committee's make up has a broad array of legislators ranging from business men and women, to business industry experts, to former local elected officials. Chairman Holder expressed his eagerness to get started on finding ways that the Committee could put forth productive and innovative ideas for helping the state's economy.

Officials from two of the state's economic development arms, Enterprise Florida and Visit Florida, gave the committee a broad overview of their organizations and their efforts to help stimulate the state's economy. Both entities are under the Executive

Office of the Governor but often report to the Legislature on their progress and seek legislative aid through appropriations or statute revision to help meet their missions and objectives. Committee members looking ahead to the future asked both entities what their short term and long term plans were for the state as well as offering unique insight as to ways their local communities could be affected by changes to each program.

Enterprise Florida's primary concern is how the state can compete with neighboring states' efforts to recruit new businesses and even Florida based businesses alike. Additionally, Enterprise Florida told the committee that current state economic development incentives are often times not as attractive as neighboring states and asked the committee to consider future proposals that may diversify the programs. Additionally, there were several comments made noting the laborious and cumbersome procedures for businesses to apply and receive Florida incentives. All committee members, along with Enterprise Florida, expressed a desire to streamline the process. Visit Florida expressed tepid optimism that the tourism industry in the state had begun to recover with visits from international travelers and from around the country up-ticking slightly. One area of concern that does remain, however, is the number of in-state visits that Floridians make to Florida based destinations.

AIF will continue to monitor and engage the Committee and its staff throughout the legislative process. AIF lobby team members also met separately with Chairman Holder to discuss a variety of issues later in the week and will continue to meet with senior staff and committee members throughout the session on behalf of AIF and its members.

Information Technology

On Wednesday, January 12th David Taylor, Executive Director of the Agency for Enterprise Information Technology (AEIT) provided an overview of the agency's mission and statutory goals and objectives to members of House Government Operations Subcommittee.

For this fiscal year the agency will develop, monitor and recommend strategies for the design, delivery and management of enterprise information technology services established in law:

- Facilitate and plan consolidation into state data center system.
- Facilitate the creation of an enterprise e-mail system.
- Implement information security as an enterprise service.
- Coordinate with the Department of Management Services (DMS) on procurement of enterprise IT hardware and software.

Also in last session's SB 2020, AEIT's role was expanded in IT purchases; including software and hardware, used by multiple agencies to better leverage the state's purchasing power. SB 2020 also provided AEIT additional authority to establish standards for statewide email, IT, and the data center system.

After Mr. Taylor's presentation, members of the committee had several questions:

Chairman Jimmy Patronis (R-Panama City) asked if we have looked at how other states carry out their IT services. Mr. Taylor answered that the major difference was that other

States have an IT agency that is empowered to address all the IT issues that impact the State. AEIT has very limited authority, and many opportunities, such as increasing sharing of data across agencies, are not the focus of any agency.

The Chairman followed up with a question regarding the comparison of Florida's IT expense per employee to other states? Mr. Taylor described AEIT's efforts in data collection and analysis, but Florida still has an inadequate understanding of its IT costs and expenditures so it is impossible at this time to benchmark our performance against other States or national standards.

Representative Irv Slosberg (D-Boca Raton) asked if there was a state web site for purchasing. Mr. Taylor said that there was, and that it could be found at dms.myflorida.com. It is called My Florida Market Place.

Representative Ana Rivas Logan (R-Miami) asked if the agencies were able to electronically communicate their data among or between themselves. Mr. Taylor stated that we do have common applications such as our HR and purchasing systems, but in most areas we do not share common applications and data across agencies. Licensing is a good example, where almost every agency issues licenses or permits, but each use separate systems that do not exchange data.

ALF supports the merit of SB 2020 and will work toward the expansion of AEIT's role in providing services and oversight with respect to Florida's IT systems.

Pension Reform

The Senate Government Oversight and Accountability Committee dedicated its entire meeting on Wednesday, January 12th to a discussion of pension reform, at the state and local levels. Chairman Jeremy Ring (D-Margate) indicated that there will be no Senate pension bill for at least 30 days. He had earlier committed to a thorough discussion of the issue with all stakeholders before any bill was released. This was the second meeting of the committee, and the second time the committee has addressed the issue. Unions comprising fire fighters, police and teachers made presentations to the committee, sparking a lively discussion of pension plans within local governments.

The committee spent a lot of time talking about municipal pension plans, some that are reportedly spending 47 to 70 percent of payroll to shore up a pension shortfall.

Sen. Jim Norman (R-Tampa) said he would not bail the locals out when they have simply cut bad deals in negotiating pension benefits with the unions and employees. "It's wrong (for them) to ask the Legislature to bail them out," he said. They have the authority to fix their own problems.

Chairman Ring said the committee has to understand how the Legislature got into this situation; but it also has to understand "we are where we are."

The meeting concluded with some discussion that the State Board of Administration (SBA) — the board that oversees the state's pension fund and its investments — might

need to work with a fiduciary board comprised of investment professionals. The creation of a fiduciary board is an option to the committee.

On Thursday, January 13th the House Appropriations Committee met to hear staff presentations on the Florida Retirement System and the State Employees Health Insurance Program. Chair Denise Grimsley (R-Sebring) said the intent of the meeting was to learn about the issues; that it was not to debate the issues. This was the first meeting of the House committee, and it was educational in scope.

AIF will continue to work with members of the Legislature to implement pension reform that will ensure accountability without adversely affecting the provision of tax payer funded goods and services.

Transportation

The Florida Senate this week jumped head first into the debate on high-speed rail. On Tuesday, January 11th both the Senate Transportation Committee and the Senate Commerce and Tourism Committee heard a presentation by Kevin Thibault, the executive director of the Florida Department of Transportation's (FDOT) Florida Rail Enterprise.

Director Thibault explained to the committees that the federal government has awarded Florida \$2.4 billion to date to build an 85-mile high-speed rail segment from Tampa to Orlando. The federal allocation provides 90% of the needed funding for the construction of the rail line.

As part of the discussions with the seven current business consortia members from the around the world who have expressed an interest in the project, the remaining \$300 million would be financed by the private sector partner. These private business partners would also assume potential operating losses if the rail segment is not profitable under the current discussions.

Long time supporter Senator Paula Dockery (R-Lakeland) told the committee that such an endeavor could create well over 20,000 new jobs in the state of Florida.

On the budget front, both the House and Senate Transportation and Economic Development Appropriations Committees were briefed on an overview of the entire state budget process and a timeline for preparing the 2011-12 state budget. While the FDOT did not present this week, the agency did provide an overview their 7,443 full-time employees with a budget of \$6.9 billion.

Associated Industries of Florida has been a strong advocate of bringing high speed rail to our state. As such, AIF has created the Florida High Speed Rail Coalition to ensure that this valuable project continues forward. Learn more about AIF's newly created coalition on High Speed Rail at http://aif.com/press_release/2011/pr_1101012.shtm.