



From the Week of February 14 - 18, 2011

With just two weeks until the start of the 2011 Legislative Session, state lawmakers met in their respective appropriations committees to discuss and consider policy proposals that would fiscally impact the state's budget. In light of the FY 2011-2012 budget woes, most of the state's biggest reform measures were discussed and vetted including pension reform, consolidation of the state's economic development entities, Medicaid reform and a complete overhaul of the teacher evaluation system. While many of these issues have been under the spot light since 2010, state law makers have begun to unveil tangible policy proposals for many of these major reforms.

This week also marks a turn of events for the future of High Speed Rail in Florida. On Wednesday, February 16th Governor Rick Scott rejected the federal government's \$2.4 billion offer to bring High Speed Rail to Florida along the Tampa-Orlando corridor. As a proponent for creating jobs in Florida, AIF will continue to work with the Governor on alternative proposals to stimulate growth and job creation in the state.

Economic Development

The Senate Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations met three days this week to roll out several conceptual plans that would accommodate Governor Rick Scott's wishes to consolidate economic development and transportation related agencies and entities.

Chairman Don Gaetz (R-Destin) explained that the creation of a new "Jobs and Economic Opportunity" office is conceptual in nature, but intended to consolidate personnel, missions and objectives of economic development related offices. The proposal would place the Office of Tourism, Trade and Economic Development (OTTED), Enterprise Florida, Visit Florida, The Florida Sports Foundation and the Institute for Commercialization of Public Research together under one office. Additionally, the proposal would move the Community Planning office, Housing and Community Development and the Florida Housing Finance Corporation from the purview of the Department of Community Affairs (DCA) to the new office.

The final consolidation would come by removing four offices from the Agency for Workforce Innovation (AWI) over to the new office of Jobs and Economic Opportunity. Those being moved would be Workforce Services, Workforce Florida, Unemployment Compensation and the Unemployment Compensation Appeals Commission. Whether that new office would be an agency or simply an office within the Executive Office of the Governor (EOG) is unclear at this point.

Members of the committee asked questions, encouraged debate and asked the various affected entities what effects this might have on federal funding and federal requirements.

Chairman Gaetz directed committee staff to take the proposal to a bill draft form and will be bringing the proposal forward, most likely to be heard first in the Senate Community Affairs Committee chaired by President Pro-Tempore Mike Bennett (R-Bradenton).

The Committee also proposed reforms to the Florida Department of Highway Safety and Motor Vehicles (DHSMV) by potentially moving various licensing functions to other licensing agencies like the Department of Business and Professional Regulation (DBPR) as well as potentially eliminating the Florida state troopers and instead moving the patrol unit into a scenario where the state contracts with sheriff offices across the state. The committee staff also proposed ideas such as consolidating the Department of Transportation (DOT) with the DHSMV. Each of these proposals would save the state anywhere from \$1.5 - \$8 million each year for the state.

AIF SUPPORTS efforts to find a delivery system with goals and accountability measures in place to effectively promote economic policies that will recruit new industries from out of state and protect and assist existing businesses.

Health Care

The House and Senate continued their work this week to develop their respective proposals to reform the state's Medicaid Program this week. The House Health and Human Services Committee and its two subcommittees have held workshops in past weeks discuss changes that should be made to last year's reform proposal; however, specific language that will be advanced this session has not yet been released. This House Health Care Committee met twice this week to begin an exercise of evaluating each and every program in the health and human services budget to identify possible inefficiencies.

On Tuesday, February 15th the full Senate met to hear Senator Joe Negrón (R-Palm City), Chair of the Senate Budget Subcommittee on Health and Human Services, lay out the general provisions that would be contained in the Senate plan. The Senate formally rolled out the first draft of its proposal on Thursday morning in Sen. Negrón's committee, spending a majority of the meeting laying out specific components in the bill. In the coming weeks, stakeholders have been invited to present their thoughts about the proposal. Negrón stated that the overarching goals of the Senate proposal is to maintain and even increase the quality of care provided, improve access to services and give more budget predictability to this program.

Some of the major provisions in the proposal include:

- Moving 2.9 million Medicaid recipients (not including developmentally disabled, nursing home residents and very ill children) into coordinated care plans in 19 different regions;
- Prohibiting illegal immigrants from receiving Medicaid benefits;
- Establishing a \$10 premium to be paid by all recipients and require a \$3 co-payment for specialty physicians and a \$100 co-payment if non-emergency services are provided in an emergency room;
- Providing sovereign immunity and almost double the reimbursement for providers that care for Medicaid patients; and
- **Prohibiting Medicaid eligible persons with access to employer sponsored coverage from receiving Medicaid services. Instead, they can use Medicaid financial assistance to pay for their private insurance premium.**

Chair Negron also laid out a timeline for implementing this bill, if passed by the Legislature. Florida must make a waiver request to the federal government to implement the components of the bill. In the event the federal government does not approve a waiver, the Senate bill calls for Florida to cease to participate in the federal/state partnership. As a result, Florida would establish its own program to take care of the state's neediest citizens. This action would result in a loss of almost \$22 billion the federal government sends to the state for services to this population.

Negron noted that, "We're not asking to do outrageous things. We're asking to do common-sense things ... that are going on every day in businesses." Chair Negron has expressed doubt that the federal government would not ultimately approve a waiver; however, Negron continued, "if the federal Department of Health and Human Services does not OK the move, we'll continue to run our program in Florida with the resources that we have."

View the Senate's proposal and timeline.

The Senate Budget Subcommittee on Health and Human Services will begin deliberations on their reform proposal on Wednesday, February 23rd at 1:00 pm. The House Health Care Appropriations Committee will continue evaluating specific components of the Medicaid program to target needed changes

AIF SUPPORTS the Legislature's plan to make bold changes to the Medicaid Program by streamlining this highly fragmented delivery and payment system. View AIF's Special Report on Medicaid Reform.

Taxation & Budget

As reported last week, Senate Joint Resolution 958 Relating to the State Revenue Limit (also known as “Smart Caps”) was considered by the Senate Budget Subcommittee on Finance and Tax. Chair Ellyn Bogdanoff (R-Fort Lauderdale) presented the resolution as she did last week when the committee agreed to introduce it as a committee bill.

According to Chair Bogdanoff, the proposed constitutional amendment would:

- Replace the existing revenue limitation based on Florida personal income growth with a new state revenue limitation based on changes in population and inflation;
- Require excess revenues to be deposited into the Budget Stabilization Fund, used to support public education, or returned to the taxpayers;
- Add fines and revenues used to pay debt service on bonds issued after July 1, 2012 to the state revenues subject to the limitation;
- Authorize the Legislature to increase the revenue limitation by a super majority vote.
- Authorize the Legislature to place a proposed increase before the voter, requiring approval by 60% of the voters.

There were a few technical amendments that were passed without opposition. Senator Gwen Margolis (D-Miami) offered a late filed amendment to exempt Bonds from the cap. She explained that including bonds in the cap would have a negative impact on our bond rating, costing the state more in interest expense. Chair Bogdanoff replied that while it was true, it was only one of four factors and would be a very small impact. Moreover, she added that the state must watch the amount of debt we undertake and explained that our favorable ratings are a result of having been good stewards in the past. Senator Margolis agreed to withdraw her amendment until the full Budget Committee where she asked for bond experts to testify on the impact of including bonds under the cap.

Senator Jim Norman (R-Tampa) asked where the money that the state may not be able to spend, because of the cap, would go. Specifically, he wanted it to go back to the tax payers who created the “excess” revenue. Chair Bogdanoff explained that the excess revenue would go to the rate stabilization fund, then to lower the required local effort and finally back to the tax payers. She further said she understood where he was coming from and would work on the issue. Senator Maria Sachs (D-Delray) expressed concern about restricting future law makers unnecessarily.

During the public testimony portion of the bill, the League of Women Voters, AARP, Florida Public Interest Research Group, Florida Center for Fiscal Responsibility and the AFL-CIO all testified in opposition.

Senator JD Alexander (R-Lake Wales), who as Chairman of the full Budget committee may vote in all subcommittees, was present for the entire meeting and voted for the resolution. Senate Joint Resolution 958 passed 5-2, with Senators Sachs and Margolis voting no.

The resolution is now scheduled for further consideration by the full Senate Budget Committee on Wednesday, February 23rd at 9 am.

AIF supports state revenue caps because it is clear that in the past the state has not showed the fiscal constraint when revenues were increased beyond the critical needs of the state. AIF believes that spending excess revenues, especially creating recurring programs that must continue to be funded in the future, places the state in the position to possibly raise taxes to meet those needs when revenues fall off as they have recently. Putting a smart cap in the constitution that requires a super majority to exceed encourages future legislatures to have fiscal discipline.

Education

On Tuesday, February 15th the Senate Budget Subcommittee on Education Pre-K - 12 considered SB 736 by Senator Stephen Wise (R-Jacksonville), known widely as the “Race to the Top for Student Success Act.” Seen as the successor to controversial SB 6 from the 2010 session, which passed the Legislature but was vetoed by then Governor Charlie Crist, there was little testimony in opposition to the measure. The teacher’s union did testify in opposition but there were strong voices of support from the business community including testimony by **AIF’s President & CEO, Barney Bishop.**



SB 736 is ready for its final committee stop in the full Senate Budget Committee on Wednesday, February 23rd and is poised to be ready for a floor vote as early as the first week of session. The House companion, **PCB KCOS 11-01**, was released as a proposed committee bill this week and is scheduled to be heard in the House K-20 Competitiveness Subcommittee on Wednesday, February 23rd at 10:15 am.

AIF will continue to SUPPORT reforms that will keep our best teachers in our classrooms and urges the Legislature to use the Race to the Top application as a basis for these reforms.

Additionally, the House and Senate Education Appropriations Committees held informational workshops on digital learning. The department updated legislative members on the State Board of Education's newly adopted five year plan for digital learning. Additionally, several school districts demonstrated model digital learning practices.

AIF SUPPORTS the move to digital learning as part of the college and career readiness agenda so that students are exposed in the classroom to the kinds of technology they will use in the workplace.

Pension Reform

On Friday, February 18th the Senate Governmental Oversight and Accountability Committee met to hear public testimony on proposed pension reform measures, including changes to the Florida Retirement System (SB 1130) and Local Retirement Plans (SB 1128) by Chairman Jeremy Ring (R-Margate). While no votes were taken, Chairman Ring provided time for interested parties to provide testimony on the individual measures.

Representatives from local firefighters' associations and union organizations consumed much of the committee's time, speaking in opposition to the bills and expressing concern about paying in to their own pension plans through defined contributions. While much of their testimony drew applause, Chairman Ring reminded members in the audience that the measures would not affect existing members of state and local plans, but rather those joining after July 1st, 2011.

Since many guest speakers traveled from across Florida with limited time to speak, members of the business community were not afforded the time to testify before the committee; however, AIF was present in support of the pension reform plans by Chair Ring. No votes were taken.

SB 1130 & SB 1128 are scheduled for further consideration during the next meeting of the Senate Governmental Oversight and Accountability Committee on Tuesday, February 22nd at 3:15 pm.

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.

Unemployment Compensation

On Thursday, February 17th the House Finance and Tax Committee passed HB 7005 relating to the Unemployment Compensation System by a party line vote of 16-8. Representative Doug Holder (R-Sarasota) presented the bill before committee and described it as a plan to return Floridians to receiving paychecks instead of unemployment checks. Much of the bill updates and revises the claims process of the unemployment system to guarantee that only people who truly qualify for benefits are receiving payments. Additionally, the bill revises the benefit period to decrease the maximum number of weeks a person can receive benefits from 26 weeks down to 20 weeks. Most importantly for Florida's employers, HB 7005 will revise the tax calculation formula and provide some savings to many employers across the state, based on each individual company's experience with the system.

The bill contains the following provisions as it relates to benefits and employer taxes:

Relating to the benefits procedures, the bill:

- Ties a UC claimant closer to the workforce system by requiring a claimant, at the time an application for benefits is undertaken, to complete an initial skills review which results are reported to the workforce system;
- Matches up state law with federal law changes to allow for federally-funded extended benefits to be drawn down to the unemployed;
- Reduces the number of available benefit weeks and ties the number of available benefit weeks to the unemployment rate, meaning the higher the unemployment rate the greater the number of available benefit weeks and vice-versa;
- Revises how employee misconduct is determined and defined by revising standards of statutory construction and review, and specifying certain forms of misconduct such as chronic absenteeism or tardiness;
- Expands when an employee is disqualified from benefits related to committing a crime connected with work so that the crime does not have to be punishable by imprisonment for it to be used for disqualification, and specifies that a claimant in prison is disqualified from benefits;
- Codifies certain agency rules related to the exclusion of evidence that is irrelevant or repetitious, and revises the admissibility of hearsay evidence to allow it to be used to establish a fact under certain circumstances; and
- Allows a claimant to file an appeal of a benefit determination made by the Unemployment Appeals Commission in the appellate court near the claimant.

Relating to employer taxes, the bill:

- Reduces most employers' tax rates by revising their benefit ratio calculation downward 10% which is used to compute their ultimate tax rate;
- Allows employers to continue to have the option to pay their UC taxes in installments over the course of the year in 2012, 2013, and 2014.

HB 7005 will now proceed to the House Economic Affairs Committee for further consideration

A similar measure, SB 728 by Senator Nancy Detert (R-Venice), will be heard by the Senate Commerce and Tourism Committee on Tuesday, February 22, 2011 at 1:00 pm. From the perspective of financial impact to employers, the primary substantive difference in the two bills is that SB 728 increases the maximum tax rate for employers paying the highest rates by an additional one percent which is approximately \$70 per employee. Additionally, the Senate bill does not reduce the number of weeks eligible recipients can receive benefits through the system.

AIF will continue to fight hard for these measures to be passed in the 2011 Legislative Session so Florida employers will see relief from unfair tax rate increases in the future and to guarantee that individuals who most deserve benefits will continue to receive them.