



From September 23, 2011

Marking the first week of interim committee meetings for the 2012 Legislative Session, House & Senate committee members listened predominantly to presentations and agency initiatives from various bureau chiefs and committee staff. With the passage of legislation in 2011, various agencies are undertaking significant consolidation and restructuring efforts under the newly created Department of Economic Opportunity (DEO). Under the leadership of Governor Scott, the DEO – which is scheduled to open its doors on October 1, 2011 – will undoubtedly play a pivotal role in stimulating economic growth.

Behind the scenes, AIF has been doing its part to meet with members and develop the business community's top priorities for the 2012 Session. Many of AIF's policy councils have met with key leaders of the Legislature to identify key areas to help encourage job growth and put Florida back on the path to recovery.

Economic Development/Growth Management

During the first set of the 2011/2012 interim legislative committee meetings, numerous committees in both the House and the Senate heard from **Doug Darling, incoming Executive Director for the newly created Department of Economic Opportunity (DEO)**, who gave a status report of the agency's progress in getting established. This new agency, a combination of the former Office of Tourism Trade and Economic Development (OTTED), Department of Community Affairs (DCA), and the Agency for Workforce Innovation (AWI) as well as a transfer of certain bureaus from within the Department of Environmental Preservation (DEP), was the product of the 2011 session where the Legislature and Governor Rick Scott revised the state's efforts to recruit, retain and grow jobs for Floridians. As a cornerstone to his pledge to create 700,000 new jobs for Floridians, Governor Scott's new department will open its doors October 1, 2011 and will consolidate the state's efforts in marketing Florida as the premier job destination for companies, college graduates and existing workforces from around the globe.

Along with traditional efforts such as offering incentives and company recruitment, the agency is also tasked with making recommendations to the Legislature for streamlining regulations, removing duplicative processes for companies looking to relocate to Florida and coordinating all activities for economic development under one umbrella – DEO. Additionally, the majority of the consolidation with respect to economic development involves collapsing Enterprise Florida (EFI), Space Florida, Workforce Florida and OTTED under the auspice of EFI while Visit Florida, the state's marketing arm, remains outside EFI's direct purview.

Darling, alongside other agency officials including **Gray Swoope (Florida Secretary of Commerce)**, **Chris Hart (President of Workforce Florida)** and **Chris Thompson (President of Visit Florida)**, told legislators that full implementation of SB 2156 would be completed on time and that efforts were already under way to operate as one agency in coordinating economic development for the state. Also, the DEO submitted to the state legislature on September 1, 2011 a strategic business plan that sets forth a vision for the Department's job creation steps. Darling repeatedly told legislators that the business plan

submitted was in fact a "coordinated attack" meant to throw as much fire power as necessary to the effort. Additionally, Darling and others reported that partnerships with the state's universities, colleges and other workforce development entities were well underway in an effort to create the nation's most robust "Talent Supply Chain" for businesses.

This is the first glimpse into what will surely be a long set of discussions before the legislature regarding the DEO, its implementation and effectiveness in meeting the large expectations set forth by job thirsty legislators. AIF has consistently supported the concept of an integrated agency that will help the state enhance its economic development efforts. Florida, once a destination for visitors, families and business alike has been paralyzed by the economy and has struggled to react to business complaints of red tape and inhibitive policies. Under the leadership of Governor Scott and his DEO, AIF looks forward to continuing to work with all parties involved to get the state back to work again.

Space

On Tuesday, September 20th the Senate Military Affairs, Space and Domestic Security Committee Tuesday unanimously passed SB 110 Relating to Spaceport Territory by Sen. Stephen Wise (R-Jacksonville). This legislation will designate Cecil Field in Jacksonville as one of Florida's Spaceport Territories. Furthermore, the bill permits the board of directors of Space Florida to designate real property within the state as a spaceport territory if the property has been licensed by the FAA as a spaceport or if the property serves as space-related infrastructure.

SB 110 will now advance to the Senate Commerce and Tourism Committee for further consideration.

AIF SUPPORTS legislation that will potentially increase the economic development and commercial space business in Florida. Furthermore, Florida will remain competitive in attracting commercial ventures, such as space tourism when the space tourism industry progresses.

On Wednesday, October 21st, Space Florida presented an overview of its structure as well as outlining its goals and successes to members of the House Economic Affairs Committee. Space Florida's main goal is to triple aerospace-related jobs and economic contribution to Florida by 2020. They hope to achieve this through diversification, vertical integration of the supply chain and targeted investments. Specifically, these goals entail leveraging key state assets and economic development tools throughout the state. **Space Florida President Frank DiBello** expressed optimism based on the new Department of Economic Opportunity (DEO) and the focus it will bring on economic development in general, and specifically within the aerospace industry. One of the highlights President DiBello discussed was the recent award by NASA of \$15 million per year over the next ten years for the Center for Advancement of Science in Space to be housed at the Space Life Sciences Laboratory at Kennedy Space Center.

Health Care

During the 2011 Legislative Session, policymakers passed comprehensive Medicaid reform legislation which is expected to bring down the cost of Florida's Medicaid Program, which now accounts for over one-third of our state's budget. With Florida's employers continually subsidizing the cost of care that is provided to our Medicaid recipients through higher health insurance premiums, AIF vehemently supported this major reform package.

This week, a number of legislative committees received updates from the Agency for Health Care Administration (AHCA) on the implementation of this legislation. Medicaid is a joint federal and state program which requires any changes made by Florida to be approved by the Centers for Medicaid and Medicare (CMS). Florida must formally request that the federal government provide the state a "waiver" from various federal Medicaid requirements before the law can be fully implemented.

Since the end of the 2011 session, AHCA staff continued negotiating with CMS to get the waiver approved. Thus far, the largest sticking point appears to be with the lack of a Medical Loss Ratio (MLR) in the state's plan. A MLR, in its simplest form, refers to the amount an insurer takes in with premiums divided by the amount paid out on services and administrative costs. The controversy with the MLR is that the definition of administrative costs varies across the industry; however, Florida has developed an Achieved Savings Rebate which incentivizes exceptional performance by the insurance plans by allowing them to share in the savings realized with the state.

Overall there is not a set timeframe by which CMS must approve Florida's waiver request, but AHCA officials believe they are getting closer to an agreement. The full implementation of this plan is scheduled to be completed by October 1, 2014.

Transportation

This week, **Florida Department of Transportation (FDOT) Secretary Ananth Prasad** presented to the respective House and Senate Transportation Committees, sharing his vision for the agency moving forward into the 21st century. Foremost in his presentation was the fact that the ability for the gas tax to continue to fund roads is quickly eroding and the buying power of that tax continues to be reduced. In fact, Secretary Prasad stated that gas tax use for road funding will create a \$5 billion shortfall over the next 15 years.

Secretary Prasad said he envisions using tolling as the key ability for future infrastructure improvements and new capacity. He also indicated that the agency would take a renewed look at future corridors. When asked about his position on toll consolidation, Secretary Prasad indicated that the agency does not yet have a position and the Government Efficiency Task Force is looking into the issue right now.

One item of importance to the Secretary and the Governor is instituting a new culture of consistency within the agency – where answers you get in one area of Florida is the same as other areas.

Redistricting

On Monday, September 19th the Senate Reapportionment Committee adopted an aggressive schedule for producing its respective plans. After adopting a methodology to actually build the districts, the committee then announced an ambitious fall agenda. During the October committee meetings they will review plans and testimony for Central Florida, the Space Coast, North and Northeast Florida and the Panhandle. The November committee meetings will review the southern half of the state including the Tampa Bay area. Finally, the committee aims to discuss a Proposed Committee Bill by the week of Dec 5. The Senate also set November 1 as the deadline for plans submitted by members and the public.

In a less aggressive approach than the Senate, the House Redistricting Subcommittees met this week for staff presentations which summarized the public input they received at the hearings throughout the state this summer. The House also laid out the general framework for its subcommittees to begin their

work. Each subcommittee (House, Senate and Congressional Redistricting subcommittees, respectively) has been tasked with producing a minimum of 3 separate plans for each of their respective jurisdictions. The Committees will be able to submit these plans as either committee bills or individual member bills as well. Also announced this week was a deadline for the public to submit partial or complete plans for the House to consider. Citizens will have until November 1 to submit their ideas. Members of the subcommittees were asked to submit their complete plans, if they choose, by November 14th. Any revisions after this deadline would have to be submitted as amendments according to the Chair.

Environmental

During interim committee meetings held this week, there was significant discussion concerning Florida's water policy and the proposal of a statewide environment resource permit.

Drew Bartlett, the Director of the Division of Environmental Assessment and Restoration at the Florida Department of Environmental Protection (FDEP) updated the House State Affairs Committee and the Senate Environmental Preservation and Conservation Committee on the numeric nutrient criteria issue.

In August 2008, Earthjustice and other environmental organizations filed suit to force the Environmental Protection Agency (EPA) to establish numeric nutrient criteria for Florida – and only Florida. The following January, EPA made the declaration that numeric nutrient criteria is needed in Florida and by August 2009, EPA signed a settlement agreement. The new criteria were to take effect in November 2010 but EPA gave the state a 15 month delay in promulgating the numeric nutrient criteria for lakes and flowing waters. The deadlines for marine waters are November 2011 for the proposed rule, with it being finalized in August 2012.

FDEP petitioned EPA based on Florida's performance of the eight key elements identified in EPA's memo. Florida ranked from 1 to 5 in seven of the eight elements listed in their memorandum. The eighth criteria were to lay out a time line to implement the new numeric nutrient criteria. The FDEP petition included initiation of rule development for the state standards and requested that EPA rescind the "Determination to Promulgate Nutrient Criteria" in Florida and rescind the promulgation criteria. EPA responded but did not grant or deny; however, EPA did encourage FDEP to continue with its rule.

Since receiving the response from EPA in May of this year, FDEP has held public workshops to discuss the numeric nutrient criteria concepts and draft rules. The Department is also working on a Statement of Estimated Regulatory Cost (SERC) to determine the cost. FDEP will need to determine by October 2011 whether to proceed with rule development. If they go forward, they plan to present the rule to the Environmental Regulation Commission (ERC) in December. Once approved by the ERC, then the rule must go to the Florida Legislature for ratification. After ratification the new rule would be submitted to EPA.

Janet Llewellyn, the Environmental Administrator for the Office of Water Policy for FDEP also pulled double duty as she presented in two different committees this week. In the Senate Environmental Preservation and Conservation Committee on Wednesday, Ms. Llewellyn provided an overview of Florida's water use and supply. One particular issue of interest for AIF members was consumptive use permitting. In Florida, all water is a resource of the state and other than for private wells for domestic water use, the state requires consumptive use permits (CUPs). Currently CUPs permits are granted for 20 years.

Other issues covered by Ms. Llewellyn's presentation included Regional Water Supply Plans (RWSP). These are required for regions that do not have sufficient water resources to meet the water demands in 20 years. These plans are updated every 5 years. She also discussed the Water Protection & Sustainability Program which was created by the Florida Legislature to fund alternative water supply projects; Surface Water Improvement & Management (SWIM) programs; Total Maximum Daily Loads (TMDLs) and Disadvantaged Small Community Wastewater Programs. The funding for the alternative water supply programs has dwindled since 2005 from \$100 million to \$5.54 million in 2008. Unfortunately, alternative water supply projects have not been funded recently by the legislature. Water Management Districts are still funding projects but without state funding, they have not been able to leverage funding as they had in the past.

Finally, the use of reclaimed water was discussed. There is a reclaimed water work group that is looking at ways to optimize the use and continued development of reclaimed water as an alternative water supply to the extent environmentally, technically, and economically feasible in order to meet water supply demands.

Ms. Llewellyn gave her presentation on CUPS to the House Select Committee on Water Policy. Immediately following her presentation, the committee members listened to a panel discussion about CUPs. Panelists included Pat Lehman from the American Water Works Association; Eric Draper, Audubon of Florida; Chuck Drake, St. Johns River Water Management District; and Rich Budell, Florida Department of Agriculture and Consumer Services. It was highlighted that long term access to an adequate supply of fresh water is the most important issue for agriculture. Furthermore, there was great discussion about extending CUPs from 20 years to 30 years.

The House Agriculture and Natural Resources Subcommittee heard a presentation by **Jeff Littlejohn, the Deputy Secretary for Regulatory Programs for FDEP** about statewide Environmental Resource Permits (ERP). The purpose of the ERP program is to protect Florida's water. DEP and the Water Management Districts are responsible for the ERP; however, DEP wants to propose a statewide ERP so that DEP and the WMD are using the same version instead of the five different permits being used today. With one rule, the regulated community should see consistency among the WMD. Furthermore, the regulated community should see a more streamlined and efficient process to obtain an ERP.