



**From February 25, 2013**

During the final interim committee week prior to the March 5th start of the 2013 Legislative Session we saw health care once again take center stage. In addition, Associated Industries of Florida weighed in on several economic development and taxation issues over the week. When the 2013 Legislative Session begins, AIF will keep you informed of the issues via the daily brief.

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### **Health Care & the Patient Protection and Affordable Care Act (PPACA)**

In 2011, AIF joined the call for better management of the Medicaid program which is now one-fourth of the state's budget. As a result, the Statewide Medicaid Managed Care Program was approved. However, Florida was required to receive a waiver of federal Medicaid rules to proceed with the implementation. This week's announcement will allow the program to be implemented as planned.

On Wednesday, February 20th, U.S. Department of Health and Human Services (HHS) gave its approval to the State of Florida for the second phase of the state's comprehensive reform to its Medicaid Program. The first phase of the reform brought Florida's low-income, uninsured elderly into managed care plans. The second phase would allow almost all other Medicaid recipients into private health plans that will better coordinate their health care services. The new program is designed to:

- Emphasize patient-centered care, personal responsibility and active patient participation;
- Provide for fully integrated care through alternative delivery models with access to providers and services through a uniform statewide program; and
- Implement innovations in reimbursement methodologies, plan quality and plan accountability.

The debate on how the state will implement a new way of reimbursing hospitals for serving Medicaid recipients continued in the House Health Care Appropriations Subcommittee this week. The new payment method called Diagnosis-Related Groups (DRGs) is scheduled to take effect on July 1st; however public hospitals have raised concerns that the new method will result in lower payments. The public hospitals have urged the Legislature to delay the DRG implementation by one year. AIF supports the July 1st implementation of the DRG payment method as required in current law because it will pay hospitals based on the needs of the patient, rather than reimbursing them for a set daily fee per patient. Such methodology makes health care costs more predictable and affordable since the system rewards efficiency.

The Committee also heard from the Governor's office on his proposal to increase funding in the state's Graduate Medical Education (GME) program. The proposed funds could increase the number of medical residency slots by almost 700 across the state. Along with the increased funding, the Governor has proposed spreading that funding to more hospitals meeting certain accreditation standards. The proposal is designed to bring more competition into the process. The public hospitals expressed concern that this proposal would also take away funding from their facilities. Chairman Matt Hudson (R-Naples) noted that if the public hospitals oppose this plan, they should provide an alternative plan to be considered. AIF supports increased funding for the Graduate Medical Education (GME) which will help

increase the number of new physicians available to serve Floridians, especially in the wake of the new federal health care law which envisions all citizens to have health care coverage.

On Monday, February 18th, the Senate and House Select Committees on PPACA met separately to continue their deliberations. Senate Committee Chair Joe Negron (R-Palm City) told members that it is his goal to make recommendations during the first week of Session. The committee isn't scheduled to meet again until March 4th, the day before the Legislative Session begins. House Committee Chair Richard Corcoran (R-Land O'Lakes) told members that the committee may meet twice during the first week of session.

During the Senate committee meeting on Monday, the Senators agreed to recommend to Senate President Don Gaetz (R-Ft. Walton Beach) that they decline establishing a state-run exchange. The members agree there are too many questions left unanswered by the federal government to move forward.

With the exchange issue resolved, the remaining issues include resolving conflicts between federal and state insurance regulatory laws, determining how to provide health benefits to the state's temporary employees, and whether or not to expand Medicaid eligibility. The Medicaid expansion issue has proved to be the most controversial and much of each committees' time has been used to hear from stakeholders on this issue.

On March 4th, the committees will meet jointly to receive the updated cost estimates for expanding Medicaid eligibility from the state's Office of Economic & Demographic Research. Among other things, the state's analysts are attempting to project how many newly-eligible Medicaid beneficiaries would enroll in the program and assign a cost to providing coverage for those beneficiaries. Most stakeholders agree that when the new federal law takes effect on January 1, 2014, there will be an uptick in persons enrolling in Medicaid.

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## **Economic Development**

Legislation removing arbitrary limits on incentive disbursements for job creators, including some of the state's largest defense and space related contractors, had its first Senate hearing on Tuesday, February 19th, before the Senate Commerce and Tourism Committee. SB 236 by Senator Dorothy Hukill (R-Port Orange) attempts to remove restrictions currently on Enterprise Florida that limits award amounts to companies that are currently creating jobs through the qualified targeted industry and qualified defense contractor incentive programs. Currently, state statute caps the awards an individual company can receive despite its ability to continue job creation utilizing these incentives. These caps become especially regressive when the state is unable to award the full amounts available for these programs across the state, and thus in effect leaving jobs on the table by adhering to the caps.

The committee unanimously passed the measure, however Senator Jeremy Ring (D-Margate), supported the legislation but questioned the state's approach to job creation using these incentives. Committee Chair Nancy Detert (R-Venice) also suggested that economic development efforts and policies for Florida should not simply be tied to job creation, but rather other growth factors within the economies of the diverse state communities. AIF testified in support of the legislation and will continue to do so as this policy moves through the House and Senate.

On Wednesday, February 20, the House Local and Federal Affairs Committee met to hear HB 655 relating to Political Subdivisions/Preemption by Rep. Steve Precourt (R-Orlando). AIF expressed its support of this legislation. HB 655 amends current law to further restrict political subdivisions from

requiring an employer to provide employment benefits not required by state or federal law. The bill is designed to block local governments from enacting sick-time such as the one pending in Orange County. This legislation is necessary to avoid what could become a patchwork of wage and benefit rules that may drive away businesses from Florida. This bill has one more committee stop in the House State Affairs Committee, before reaching the House floor.

On Thursday, February 21st, the Senate Committee on Community Affairs met and heard SB 98, relating to new markets tax credits by Sen. Garrett Richter (R-Naples). If enacted, SB 98 would increase the cumulative amount of tax credits to be rewarded to the Florida New Markets Tax Credit Program from a current \$163.8 million to \$263.8 million. In addition, the bill would increase the amount of tax credits the state could award the program in a fiscal year by \$20 million. The Florida New Markets Tax Credits Program was created in 2009 in order to establish and encourage investment in urban, low-income communities. AIF will continue to monitor SB 98 and its House companion HB 515 by Rep. Jose Oliva (R-Hialeah).

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## Taxation

On Tuesday, February 19th, the House Energy & Utilities Subcommittee discussed HB 435 by Rep. Daniel Davis (R-Jacksonville), dealing with Prepaid Calling Arrangements. Under current Florida law, both state and local Communications Services Tax (CST) and state gross receipts tax apply to the sales price of each communications service originating and terminating in Florida. The legislation would treat prepaid calling arrangements the same as tangible personal property and subject it to sales tax rather than the communications services tax (CST). **Brewster Bevis, Senior VP of State and Federal Affairs, AIF**, stood in support of the legislation. In addition, the Senate companion, SB 290 by Senator Bill Galvano (R-Bradenton), was heard on Thursday in the Senate Community Affairs Committee; AIF's Mr. Bevis stood in support of it as well and both bills passed unanimously.

Also on Tuesday, February 19th, the House Economic Development and Tourism Subcommittee met to hear HB 437 by Rep. Daniel Davis (R-Jacksonville) relating to Community Development. AIF waived in support of this legislation which will extend the expiration date of the Community Contribution Tax Credit to June 30, 2025. This tax credit encourages private sector participation in community revitalization and housing projects. The current program is set to expire in 2015. This bill has two more committee stops in the House. Its next committee of reference is the House Finance and Tax Subcommittee.

The House Finance and Tax Subcommittee spent 90 minutes in a workshop discussing Florida's Communications Services Tax and a proposed committee bill by Chairman Rep. Ritch Workman (R-Melbourne) that moves to a statewide unified Communications Services Tax rate of 12.11% and broadens the tax base to pre-paid communications services. The Committee heard testimony from retailers, communications services providers, and local governments about the proposed legislation. Committee members asked numerous questions of the Chair, staff and presenters. Chairman Workman plans to re-draft his committee bill and then bring it back to the Committee. Last week, AIF testified for the task force recommendations and urged the Committee to consider reforming the Florida's Communications Services Tax (CST) by moving to a unified tax and to address the high overall rate of CST taxes in Florida.

On Thursday, February 21st, the Senate Transportation Committee took up SB 560 by Sen. Wilton Simpson (R-New Port Richey) dealing with natural gas motor fuel. The bill would establish a fuel tax structure for natural gas similar to that for diesel fuel, after a five year period; would change the

licensure for stations selling the natural gas; repeal the Local Alternative Fuel User Fee Clearing Trust Fund; repeal the decal program for vehicles powered by natural gas. AIF stood in support of the legislation and the bill passed unanimously.

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## Insurance

On Tuesday, February 19th, the House Insurance and Banking Subcommittee approved CS/HB 343 by Rep. Bill Hager (R-Boca Raton). The bill allows insurance companies to offer a deductible feature for a workers' compensation policy which covers all parties performing work on a major construction site. Florida businesses will have the option to substantially reduce new facilities' construction insurance costs by purchasing a wrap-up policy with a deductible. In addition, a deductible creates a direct monetary incentive for a construction project owner or general contractor to maintain a safe work site for employees. AIF supports the passage of CS/HB 343.

On Thursday, February 21st, the Senate Banking & Insurance Committee approved the outline of a major package to reform Citizens Property Insurance Corporation. The package was divided into 20 sections. A summary of each section can be found at the following link:

[http://www.flsenate.gov/PublishedContent/Committees/2012-2014/BI/MeetingRecords/MeetingPacket\\_2048.pdf](http://www.flsenate.gov/PublishedContent/Committees/2012-2014/BI/MeetingRecords/MeetingPacket_2048.pdf).

As a whole, the Committee did not vote to cut \$3 billion from the Cat Fund and increase the insurer co-pay over the next three years. At this time, no comparable omnibus property package is being developed in the House. Rep. Hager continues to work on a House bill addressing the Cat Fund. AIF supports any legislation aiming to return Citizens to an insurer of last resort. Reducing the exposure of Citizens will substantially reduce the likelihood of claims paying deficits and; thus, hurricane taxes on insurance premiums for Florida's employers.

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## Education

On Tuesday, February 19th, the Senate Education Committee held a workshop and open discussion of Senate President Don Gaetz's (R-Destin) number one education priority the CAPE 2.0 initiative. The measure will expand upon the original Career and Professional Education Act filed in 2007 that aims at creating professional and career-oriented academies in each school district. The CAPE 2.0 initiative has resulted in the filing of SB 1076. AIF supports the expansion of professional education designed to better prepare Florida students for the workforce and will continue to monitor SB 1076 throughout the upcoming Session.

The House Choice & Innovation Subcommittee passed three bills, HB 189, **CIS1** and **CIS2**. HB 189 provided much needed flexibility on managing strict class size caps. **CIS1** deals with accountability in the classroom, but the most important bill is the virtual learning initiative (**CIS2**). **CIS2** will have significant impact on student achievement by providing more choices for students which will both modernize the learning environment and in turn help close the achievement gap. AIF supports accountability in higher education by creating a uniform system of accountability and incentivizing institutions to use Common Course Numbering. AIF also supports removing all barriers to access to all forms of innovative technology driven education.

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## **Environmental**

On Thursday, February 21st, the Senate Community Affairs Committee met and passed Senate Bill 364 by Senator Alan Hays (R-Umatilla). This bill provides for 30 year consumptive use permits for the development of alternative water supply projects. AIF has pushed this legislation because it expands the state's water supply and reduces the cost of projects by expanding the period of time permits are granted so bonding is less expensive than in the past. The bill now goes to the Senate Appropriations Subcommittee on General Government.

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## **Homeowner's Associations**

On Wednesday, February 20th, AIF attended the House Business and Professional Regulation Subcommittee to monitor a workshop on potential legislative changes to further regulate Homeowners Associations (HOAs), regulated under Chapter 720, F.S., and to specifically consider applying many of the Florida Condominium Act rules and regulations – including adding regulatory authority over HOAs to the Department of Business and Professional Regulation – to these HOAs. Community activists and some attorneys spoke in favor of applying numerous provisions of the Condo Act to these HOAs, while representatives of the builders and other groups urged a more limited, cautious approach. Committee Members expressed concerns over increasing the DBPR budget to handle these issues and with the large diversity among HOAs in terms of size, geography and overall professional sophistication of these groups who are governed by homeowners who are volunteers. Rep. Mike La Rosa (R-St. Cloud) will be the lead Committee member in dealing with interested parties on the formulation of a possible Committee Bill.

AIF will work with its interested members/developers on monitoring the development of this legislation and work to oppose unnecessary government regulation in this area.

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## **Ethics and Elections**

On Tuesday, February 19th, the Senate's comprehensive ethics reform package, CS/SB 2, was unanimously passed by the Senate Rules Committee after the adoption of a number of minor amendments. This was the last committee stop for the bill, which is now scheduled to be heard by the full Senate on March 5, the opening day of the Regular Session. The fast-tracking of this bill reflects its importance in the eyes of Senate President Don Gaetz (R-Destin) and his Senate leadership team. The House is expected to initiate its own ethics legislation during the opening weeks of the Session. The key provisions of the bill include:

- Ending the "revolving door" phenomenon whereby legislators and other public officials leave office then immediately begin careers as lobbyists;
- Prohibiting state and local elected officials, including legislators, from accepting employment from governmental agencies based exclusively on their status as officeholders;
- Giving the Florida Ethics Commission stronger authority to levy and collect fines from ethics law violators; and
- Empowering the Governor, FDLE, state attorneys, and federal prosecutors to refer potential ethics law violations to the Ethics Commission.

On Thursday, February 21st, the House Appropriations Committee approved CS/HB 569 sponsored by Rep. Rob Schenck (R-Spring Hill) by a party-line vote of 15-10. The bill will next be heard by the House State Affairs Committee before being heard by the full House of Representatives. The bill is a

comprehensive rewrite of Florida's system of regulating the financing and reporting of political campaigns. The most controversial provision of the bill raises the limits on campaign contributions from \$500 to \$10,000 per election based on the premise that the federal judiciary is rejecting lower limits as being undue restrictions on Freedom of Speech and guaranteed by the First Amendment. The bill also abolishes committees of continuous existence (CCEs) due to allegations of abuses of these committees by legislators and others who basically used them to pay living expenses, etc. Neither the \$10,000 contribution cap nor the abolition of CCEs has been well-received by Senate Leadership, making it highly likely that there will be a drawn-out review of the legislation that will probably end up in a conference committee.