

EMPLOYER ADVOCATE

516 NORTH ADAMS STREET • P.O. BOX 784 • TALLAHASSEE, FL 32302 • PHONE (904) 224-7173 • FAX: (904) 224-6532

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In the last issue of *Employer Advocate* we presented the argument New Taxes vs. No Taxes. As a representative of the business community, AIF continues to hold firm the position that now is not the time for higher or new taxes. Governor Chiles disagrees.

Recently, the governor introduced his "Fair Share" Tax plan which he feels is necessary to raise the revenues to fund his "Investment Budget." It is AIF's position that government needs to take the money it has, set priorities and live within its means, just as private businesses and citizens must do. AIF, along with 26 other business associations, endorses the House Republican "Priority Budget" as an approach which merits serious consideration; and, further supports the methodology of curtailing non-essential government bureaucracy before increasing taxes.

In this issue, Dominic Calabro, President and Chief Executive Officer of Florida TaxWatch presents a review of the various state budget proposals for 1992-1993 and Randy Miller, AIF's tax consultant, presents our position on the House Republican "Priority Budget."



House Republican "Priority Budget" is the Fair Plan

By Randy Miller, Consultant
Carlton, Fields, Ward, Smith & Cutler, P.A.

As you are all aware, Governor Chiles vetoed the General Appropriations Act for fiscal year 1992-1993, on March 16, 1992. This veto was not unexpected, but was curious since it was the budget actually submitted by the Governor's office to the Legislature.

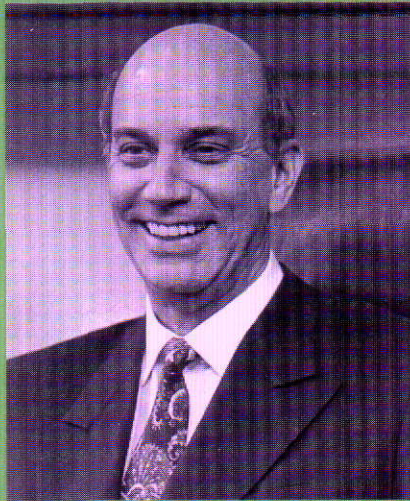
Many believe the veto was done for publicity purposes to highlight a need for additional tax revenue to fund critical needs of the State. The vetoed budget was called the "Reality Budget" and intentionally ignored necessary funding increases in education, prisons and the medically needy program in the Department of Health and Rehabilitative Services, even though the "Reality Budget" contained \$654 million more in general revenue dollars generated from growth in existing taxes, not new taxes. The Governor was right in vetoing the "Reality Budget" because it did not address the critical concerns of the State.

However, there is some disagreement regarding how to proceed at this point. We do not agree that taxes should be raised during this recessionary period. Instead, we believe that priorities should be established and corresponding funding shifts should be made within existing revenues to fund the previously mentioned areas of concern. This proposition is easier said than done, but thanks to several freshman Republican House members a priority budget has been developed. The Plan is responsible and addresses the most critical needs in education, prisons and the medically needy, while cutting other spending levels.

There will be criticism of this effort from many sectors, but it should be remembered that prioritization of spending is the only way to solve the current problem. It is the same approach that we utilize in private business and in our own personal household budgets. The State of Florida should be no different ... trying to tax our way out of a recession defies logic.

The priority budget is the right prescription for recovery for the Florida economy.

President's Message



"Quality of Life" is a buzzword for the criteria that define Florida as a desirable place to call home. When measuring that standard, we cannot forget that the condition of our state's economy sets the foundation for all the factors that add up to a superior quality of life. Policies that cultivate a strong vibrant economy sustain private and public efforts to enhance life in Florida.

In late April, Governor Lawton Chiles signed House Bill 55E into law. The law establishes Enterprise Florida, a statutorily created not-for-profit corporation charged with developing a strategic plan for statewide economic development. Enterprise Florida, as a centralized economic development unit, will coordinate existing, often fragmented, state and local economic development efforts.

Several elected officials will sit on the Enterprise board, including the Governor, Lieutenant Governor, the Secretaries of Commerce and Labor, the Commissioner of Education, and members of the Legislature. Twelve private sector business leaders will serve on the board as well, with the Governor and a private sector representative acting as co-chair.

The question is: Will Enterprise Florida work or will it turn out to be nothing more than a boondoggle? The 1992 legislation is step one. It establishes the Board of Directors and directs them to formulate a strategic plan, yet the Enterprise concept goes much further.

The Enterprise Florida blueprint calls for the eventual creation of a number of subsidiary corporations to provide such services as technology, training, capital, and new enterprise development. It calls for funding from private sources as well as legislative appropriations of public tax revenue. Ultimately, Enterprise Florida will assume all economic development functions from the Florida De-

Will Enterprise Florida Work?

By Jon L. Shebel,

President & Chief Executive Officer, Associated Industries of Florida

partment of Commerce — as well as absorbing the agency's funding for those activities. The goal is to encourage the formation and growth of high value-added industries and jobs in Florida as a means to raise our standard of living. Enterprise Florida could usher Florida into the next century of global competition — or it could prove to be a useless, empty shell.

As originally drafted, the legislation creating Enterprise Florida was seriously flawed. It looked like Enterprise was not being formed to carry out its worthwhile objectives, but rather to line the pockets of the organization designated to administer Enterprise. It would have been an easy task for that organization to take state appropriations and bury them in the thicket of loopholes.

The law, amazingly enough, carried no audit requirement, no public record requirement, no prohibition against interested parties receiving state funds, no limit on the creation of subsidiaries, no prohibition against pledging the full faith and credit of the State of Florida and no limit on the amount of state money Enterprise could use. There was no guarantee that the private sector would even support Enterprise. In fact, lobbyists from one statewide business organization balked at a requirement that the private sector contribute funding to Enterprise before the State would put in any tax dollars. And with good reason. The law, in effect, opened the purse strings to an anointed private organization that would not have to justify its expenditure of the funds received.

Associated Industries remembers too well the "bad ol' days" when the state created boards to "aid the private sector" that then became black holes in which tax dollars turned into anti-matter. AIF does not want to see Enterprise turn into another one of these celestial quagmires. Yet, as we fought all through the regular session to have safeguards built into Enterprise, we ran into opposition every step of the way! There seemed

to be a faction that wanted to prevent formulation of those very safeguards.

Eventually we got our way — sort of. A number of questions about Enterprise remain. If it takes over the six million dollar budget of the Department of Commerce will that money be better spent than it is now? How much state money will be invested in ultra-risky start-up ventures? One newspaper article quotes Enterprise Florida promoters as saying they would like to use State Pension funds for investment! Who will provide the necessary checks and balances? Will the Board have sovereign immunity from liability? To whom does the Governor owe a fiduciary duty while serving on a private board in his official capacity? Does sovereign immunity protect government officials against breach of a fiduciary duty? If so, how will the public be protected? How will money be contracted out? The questions continue.

Economic development is a sensible, indeed, necessary pursuit. Florida can be a leader in attracting new business. Enterprise Florida can get us there. However, if Enterprise is to live up to its full potential, the government officials in control must put aside prejudices and favoritism. The Legislature must watch every penny spent by Enterprise because it gave Enterprise Florida the ability to expend state tax dollars without going to the Legislature for an appropriation.

Let Enterprise Florida be on notice: AIF will scrutinize every action! We want the Enterprise Florida concept to work. We don't want Enterprise Florida to feed the bank accounts of any organization or individual!