

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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TAX REFORM UPDATE

As of today the House has not “received” the Senate legislation for consideration although the Senate adopted its tax reform package, CS/SJR 938 and CS/CS/SB 1106, over two weeks ago. The Senate simply has not sent the product over to the House to consider. However, whatever tactical machinations the Senate President is engaging in by holding his own proposal hostage is completely lost on the House. Today, the House decided to create a “Committee of the Whole,” made up of the entire House of Representatives, to consider and debate the package tomorrow. The House took the Senate’s tax reform package, cobbled it together into a “proposed committee bill,” and placed it on the agenda tomorrow for the Committee of the Whole to consider, lending new meaning to the old adage, “where there’s a will, there’s a way.” It is expected that the House will entertain routine business tomorrow on the floor and then adjourn to meet as a Committee of the Whole to debate the proposed reform plan.

Technically, it is unclear if the House can entertain language that mimics the Senate Joint Resolution providing the proposed amendment to the Florida Constitution. The House schedule stipulates that it will debate that portion of the package, “if received.” However, the House can and will debate a House version of the Senate implementing bill, CS/CS/SB 1106. The House PCB containing this measure, PCB SCW 01 is unavailable for review at this time. All this to say, at the minimum, the expressed will of the House on the whole Senate package will be unmistakable tomorrow, no matter what form the reform plan takes.

AIF is opposed to the Senate’s tax reform plan. It unnecessarily and injuriously amends the Florida Constitution as a vehicle for the reform. Any consideration of Florida’s sales tax exemptions should remain under the direct purview and authority of the Executive Branch and Legislature. Also, the plan compromises any rational consideration of the sales tax exemptions under current law by establishing a predetermined end result. If adopted, the plan will require the repeal of \$4.2 billion in sales tax exemptions regardless of their merit or their ability to meet objective criteria or *any* criteria. Finally, the plan is based upon faulty or outright inaccurate assumptions regarding Florida’s future tax revenues.

AIF would support a measure that provided for a methodical review, utilizing objective criteria, of all the current sales tax exemptions enjoyed by businesses, organizations and services. Florida’s current business sales tax exemptions actually comprise only \$1.88 billion of the \$22 billion total in sales tax exemptions. We believe the vast majority of these business exemptions would withstand even the most severe scrutiny if the criteria embraced economic competitiveness, fairness and benefit to Florida’s overall economic growth.

COMMUNITY COLLEGE FUNDING

The House Colleges and Universities Committee passed HB 1227 by Representative Ralph Arza (R-Hialeah) today by a unanimous vote. The bill establishes a funding distribution model for the State's community colleges.

Florida's community colleges have had a series of different allocation schemes and methodologies over the last decade, changing almost annually. This inconsistency wreaks havoc with the community colleges' ability to plan operations, develop academic programs, or make long-term fiscal plans. The uncertainties of this improvised funding methodology used to allocate resources from year to year is no better than guesswork. In fact, the statute governing funding—that has been in effect since 1991—has not been executed even once by the Legislature.

Put simply, HB1227 establishes a rational set of standards and measures in major operational areas of each college.

This distribution model looks at a number of standards in instruction: including faculty salaries, full to part-time ratios, and instructional support; academic support: with a rational a basis for small college funding, as well as for larger multi-campus colleges. The formula covers libraries, including the number of holdings and their replacement every 20 years, to meet accreditation standards and student support: including funding to provide the support for student success at both small and large institutions, student financial aid and other areas. The bill also takes into consideration annual enrollment growth - or decline - in each college's academic program mix, number and size of campuses and other considerations that are different and similar at all 28 community college.

The Senate companion, SB 1542 by Senator Alex Villalobos (R-Miami), has not been considered at this date.

AIF support this legislation. The budgetary funding process for Florida's community colleges has been inconsistent and at times inequitable. An already excellent system for higher learning would benefit immensely by the implementation of a funding formula that brought predictability, equity and reason to the process. Florida's community colleges are hamstrung by a current funding approach that compromises planning, asset allocation and operating revenue administration. Ultimately, it is Florida's students that suffer. Florida's employers can only benefit from a first class education system. Adopting a statutory distribution formula is a critical step in making both Florida's education system and its graduates first class.

BROWNFIELDS REDEVELOPMENT

The Senate Committee on Commerce and Economic Opportunities gave a favorable vote to SB 2168 by Senator Jack Latvala (R-Palm Harbor) today. This is "Brownfield Redevelopment" bill will increase the number of businesses potentially eligible for Brownfield redevelopment. Brownfield sites are abandoned, idled, or underused industrial and commercial properties where expansion or redevelopment is complicated by actual or perceived environmental contamination. In 1997, the Legislature created the Brownfield Redevelopment Program, which is a voluntary program through which the cleanup of Brownfield sites is initiated by landowners and developers rather than government regulators. By broadening the eligibility requirements, more businesses can locate to Brownfield areas and therefore, more Brownfield redevelopment could occur.

The House companion, HB 2181 by Representative Bob Allen (R-Merritt Island) was heard last week and passed by the House Natural Resources and Environmental Protection Committee.

AIF supports the clean up and return to economic viability of these abandoned and often contaminated areas. This legislation will make the difference between property sites remaining abandoned and blighted or returning as a productive and useful element in the community

LOCAL GOVERNMENTS & MINIMUM WAGE

The Senate Commerce and Economic Opportunities Committee passed SB 1902 by Senator Durell Peaden (R-Crestview) today. The bill restricts local governments from arbitrarily mandating that local employers pay a minimum wage in excess of the federal minimum wage.

Such local government action is part of a larger “movement” characterized as providing a “living wage,” the idea originally gained momentum in California where local governments began mandating employers, holding a local government contract, pay wages in excess of the minimum wage. However, this idea accelerated into local governments requiring local employers, under contract or not, to pay an excessive wage. The bill does nothing to inhibit local government contracts with employers, but it does prohibit the arbitrary mandate of an exorbitant minimum wage on employers who have no contractual relationship with a local government.

The Senate Commerce Committee actually strengthened the bill today, as well. Last week, an amendment was offered to the bill and adopted by the Senate Comprehensive Planning, Local and Military Affairs Committee that permitted a local government to establish a minimum wage in excess of the federal wage if it is adopted by a community referendum. While a “community referendum” is a high bar to reach, the amendment did, in fact, weaken the intent of the bill. Senator Burt Saunders (R-Naples) took the audacious step of offering a “strike everything” amendment that took the bill back to its original form and stripped off the weak-kneed amendment. AIF thanks Senators Saunders, Peaden and the Committee for stepping up to the plate and beating back a strange half-measure like that amendment.

AIF supports the bill. A “living wage mandate” would have an extraordinarily damaging effect on the hospitality business community, violating every principle of Economics 101. Artificially increasing the level of wages paid will cause businesses to shut down, reduce hours, reduce staff and increase prices. Discretionary dollars, typically spent in the hospitality sector, would simply go somewhere else, decreasing the level of business activity indefinitely. Finally, such a skewed wage increase will attract more qualified applicants, moving aside the very employees the wage increase was designed to assist.

Stay tuned to our daily brief and to our web site at www.fbnet.com as the legislature makes some very important decisions on the state’s economy. These decisions will have a major impact on the business community and AIF will be reporting to you everything that happens.

This report was prepared by Curt Leonard, Manager – Governmental Affairs at Associated Industries of Florida (AIF). Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our “members only” Florida Business Network web site at <http://fbnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.