

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
INTERIM BRIEF**



P.O. BOX 784 • Tallahassee, FL 32302-0784 • Phone: (850) 224-7173 • Fax: (850) 224-6532 • Internet: <http://aif.com> • fbnnet.com

WEEKLY INTERIM LEGISLATIVE BRIEF FOR THE WEEK OF FEBRUARY 5 - 9, 2007

Staff presentations continued to be the order of the day during last week's interim committee meetings as legislators prepare for the upcoming 2007 regular session. Governor Crist's staff was also very busy last week outlining some of the Governor's budget recommendations. In this report we have included some of those recommendations as they apply to core business issues such as economic development, education, and workforce development. In addition, one of AIF's priority bills HB 567 Relating to a reduction in the Communication Services Tax passed its first committee of reference and is well on its way towards passing the house.

It was also announced that the Senate would not be holding any meetings during the week of February 12-16th. Only House Council meetings will be taking place this week.

Property Tax Reform

On Thursday, February 8th the Senate Finance and Tax Committee held a workshop on property tax reform. Representatives from local governments, counties, and the business community were on hand to provide testimony on solutions for this problem. The issue of property tax reform promises to be one of the most critical issues facing the 2007 legislature. Floridians have voiced their concerns over the rising cost of property taxes at several town hall meetings and legislative meetings throughout the state. The problem boils down to the fact that continuing significant increases in assessed value of homes and businesses in Florida is outstripping the ability of homeowners and businesses to pay their taxes.

Barney Bishop, President & CEO of Associated Industries of Florida, was invited to testify on this issue. According to Mr. Bishop, AIF supports many of Governor Crist's proposal including the idea of portability of the "Save our Homes" constitutional amendment as a way to address the "lock-in" effect which has prevented many families from moving or downsizing to smaller homes. In addition, the Governor's idea to cap the annual property tax on businesses and renters to 3% per year is also supported by AIF. Mr. Bishop also presented some other ideas for addressing the property insurance crisis. These include:

- Shifting the way property appraisers assess the value of property from the "best and highest use" standard to a "current use" or "income generated" standard whichever is lowest;
- Significant reform in the "Truth in Millage" Law or TRIM notice that is sent to all property taxpayers by requiring that they be clearly and concisely written and that these notices reflect that any millage rate that produces revenue above the previous year's revenue is by law a tax increase;
- More utilization of Value Adjustment Boards as avenue for appeal by citizens and business owners without any repercussions from local property appraisers; and
- Considering the establishment of local spending caps for cities and counties to no more than the sum of population growth plus inflation.

If Florida is to continue to grow, there must be some reform in our state's property tax policies. Florida's economy is not tourism, nor agriculture, it is all about growth. If we do not continue to grow, to attract new residents and help current businesses to expand then Florida will be unable to pay for the infrastructure backlog that currently exists. AIF is dedicated to finding creative yet fair solutions for this growing crisis.

Communication Services Tax

HB 567 Relating to Reducing the Communications Services Tax by Rep. Ron Reagan (R-Sarasota) was heard by the House Utilities and Telecommunications Committee on Thursday, February 8th. This bill reduces the state portion of the CST by 1.17%, which represents about \$189.3 million dollars in savings to consumers and business. The communications services tax (CST) is a relative new tax that replaced a number of local and state taxes on telephone service in October 2001. Revenue collected from this tax goes primarily into the General Fund; a small portion of the tax does go into Public Education Capital Outlay (PECO) funds. There is a state CST and a local CST that appears on all communications services bills. This includes land line telephone service, wireless or cellular telephone service, cable television service and Direct Broadcast Satellite (DBS) service. Both Frank Meiners and Keyna Cory with AIF testified in support of the bill along with a representative of Verizon and the Florida Cable Telecommunications Association.

There was very little debate on the bill and it passed unanimously; HB 567 will now be heard by the Jobs and Entrepreneurship Council and has been placed on the "fast-track" for passage within the first week of the 2007 regular session. Its Senate counterpart, SB 980, has been filed by Sen. Mike Haridopolos (R-Melbourne) and has yet to be heard in committee.

Lowering the CST would help businesses and consumers, especially those with lower incomes, spend less of their hard-earned dollars on additional taxes. Econometric models have shown that lowering this regressive tax will help stimulate additional investment in Florida's communications infrastructure. As prices go down, spending on communication services goes up. This increased spending provides for greater investment in Florida's communication infrastructure. Investing in Florida's communications infrastructure will increase productivity for businesses that rely on these kinds of technology.

AIF supports this reduction and will work diligently this session to help pass some savings for the businesses and residents of Florida.

Energy

Both House and Senate Committees heard presentations on global climate change this week. First, the House Committee on Environmental Protection heard a presentation from Mark Brownstein from Environmental Defense on Wednesday, February 7th.

The presentation began with a basic premise - greenhouse gas buildup is causing global warming. According to Mr. Brownstein, the Industrial Revolution has deposited more greenhouse gases than any other period over the past 1 million year. Recently, the United Nations commissioned the Intergovernmental Panel on Climate Change (IPCC) which is comprised of reputable scientists from around the world. They recently concluded humans have produced most gases causing global warming (90% probability). Absent policies to reduce greenhouse gases, global temperatures will rise 2-11°F. We've already experienced a 1.3° global change.

Again, according to Mr. Brownstein, the most skeptical scientists are coming to believe the evidence of global warming is clear. The United States Climate Action Partnership (USCAP) has called for legislation to place caps on greenhouse gases. This organization is led by CEOs of major corporations, including (but not limited to): British Petroleum, General Electric, Alcoa and DuPont. This organization believes a market-driven approach is the best way to move forward. They have suggested having a cap and trade program. The cap would serve the environmental goal of lowering emissions. The caps must be implemented in a cost-effective manner. This opens the opportunity for the trade program to stimulate investment. This, in turn, leads to innovation. There is potential legislation at the federal level to implement the findings of USCAP.

Mr. Brownstein also spoke about the plan California has implemented to aggressively tackle emission rates. California has done this to attract businesses. The California legislature believes the industries of the future will be environmentally friendly and the state wants to lead the nation.

Also on Wednesday, February 7th, the Senate Committee on Environmental Preservation and Conservation heard a presentation by Terry Tamminen, the former California Cabinet Secretary for the Environment.

Mr. Tamminen believes Florida is the key to solving the climate change challenge. He gave an overview of what global warming is being caused by, and the reductions that need to be made. He stated that we need to be eighty percent below the 1990 Greenhouse Gas- mostly CO₂- levels by 2050 for climate stabilization. By doing nothing to reach a solution to the climate challenge, it could cost us twenty percent of our GDP by 2050. In California, the implementation of the State Climate Action Plan will result in a net increase of 83,000 new jobs and \$4 billion in annual income.

Sen. Paula Dockery (R-Lakeland) asked about the success rate of incentives for solar energy sources in California; Mr. Tamminen replied the incentives were successful, 3.2 billion over ten years. Those incentives will involve fifty percent subsidies in the first year of use, which will stimulate the industry and gradually decline subsidies as the cost falls for solar products. The federal government will probably not take much action until 2009 due to the focus on the upcoming elections. The impact is felt at the state level. Florida is crucial because the southeastern region is not represented in the climate challenge. Other nations will not take serious action until the U.S. steps forward. Suggestions for steps to take include 1) taking an inventory and forecast of emissions, 2) creating reporting and implementation systems, 3) finding the cheapest energy efficiency and conservation plan, 4) looking for clear and renewable energy, 5) finding transportation solutions (mass transit, alternative fuels), 6) giving attention to agriculture and forestry, 7) and looking for improvements in waste management (i.e. recycling, gas capture in landfills). He suggested building a stakeholder driven plan as in California's Climate Action Plan. He also suggested demonstrating carbon sequestration potential on state owned lands and in saline aquifers. Florida may want to consider building a southeastern green house gas trading system, furthering adaptation research and development, and lastly to focus research on impact to marine eco-systems and develop response plans.

Then on Friday, February 9th The Florida Energy Commission (FEC) held its first organizational meeting in Tallahassee. All of the Commissioners were in attendance except for Bill Cramer, who had a prior commitment. Sen. Lee Constantine (R-Altamonte Springs), member of the FEC, gave an overview on the creation of the FEC by the Legislature and what was expected of the group...

Most of the meeting was taken up by presentations giving an overview of energy issues from: state agencies, the Public Service Commission, all four of the investor owned utilities, municipal electric utilities, cooperatives, the Florida Solar Energy Center at UCF, David Rogers (co-chair of AIF's Florida Energy Council) on behalf of the Florida Natural Gas Association, David Mica (co-chair of AIF's Florida Energy Council) on behalf of the Florida Petroleum Council, and testimony from an expert in global warming/climate change.

At the conclusion of the meeting, the Commission decided to have four Advisory Groups: Conservation & Efficiency, Renewables, Climate Change, and the last to take up all other issues. The Chairs appointed for these four Advisory Groups are:

- Conservation & Efficiency- Mike Hightower
- Renewables- Blake Casper
- Climate Change- Todd Sack
- All Other Issues- Sam Bell

In addition, Bill Cramer will be asked to serve on the Renewables Group, John O'Brien will serve on the Climate Change Group and Joseph Tannehill will serve on the All Other Issues Group. The Advisory Groups were asked to set the dates for their first meeting to be within the next two to three weeks. It was suggested that the Conservation & Efficiency and the Climate Change Groups could meet consecutively within two weeks in Jacksonville, the Renewables Group in Tampa the following week and The All Other Issues Group in Tallahassee sometime after. The Chairs were asked to think about setting their agendas and picking people to serve on the groups, perhaps using the experts and industry representatives who gave presentations today. The next full commission meeting was scheduled for Friday, March, 23 at the Orlando International Airport.

Education

On Thursday, February 8th the Senate Higher Education Appropriations Committee heard a presentation by David Armstrong, Chancellor, Division of Community Colleges on the demand for additional access to higher education in Florida, limiting baccalaureate programs in community colleges to nursing and teaching and forming better relationships between the Board of Governors, the Board of Education and others by convening a summit of higher education leaders in the state.

In addition, the committee heard a presentation by Mark Rosenberg, Chancellor of the Board of Governors, on the blueprint report to transition our higher education system to meet 2026 needs based on access, capacity and quality. The blueprint recommends revising the funding approach by:

- linking budgets to missions;
- placing a graduation component in funding formula;
- allowing supplements for higher cost programs; and
- targeting student aid to Florida's priorities.

The committee also heard a presentation on selected programs related to vocational rehabilitation and workforce education designed to meet Florida's future workforce needs.

Governor's Budget Recommendations

Several committees both in the House and Senate received presentations on some of Governor Crist's (R) budget recommendations for the 2007 budget.

The Governor has recommended a total of \$33.4 billion for **education**, representing an increase of \$1.3 billion, or four percent more than the 2006 funding. To assist preparation for entry into K-12 education in the state, the Governor included a recommendation for 2.44% increase in Voluntary Pre-K funding. Governor Crist also recommended \$372 million for 12,673 more Bright Futures Scholarships; \$3.9 billion for continued implementation of class size reduction requirements for K-12 schools; a \$1.4 billion increase in funding for the Florida Education Finance Program (totaling \$19.4B) to improve education access in the state; doubling funding for teacher performance pay to \$295 million; \$137.8 million to fund 400 additional reading coaches across the state (representing an increase of \$26 million); and a proposal for \$10 million to provide Internet-based academic assistance to all public school students.

The Governor also made the following recommendations on significant **workforce development** issues:

- no increase in tuition for in-state, undergraduate students in either community colleges or the state university system;
- a 4.1% increase (\$137.5 million) for state universities to increase enrollment, install medical schools, nursing programs, and competitive grants for high-tech research in order to support to new enrollment and research that diversify Florida based business and economic development like space exploration, biomedical research and film and television production ;
- a 6% increase in funding for community colleges and their four-year degree programs targeting top priorities such as expanded community services, teacher preparation programs and vocational certificate programs; and

- he is also proposing to restore the SUCCEED program (to continue career academics and continue programs in nursing and allied health, manufacturing and automotive programs).

For the **Agency for Workforce Innovation** the Governor has proposed the following:

- Early Learning Services—\$1.06 billion
- Agency Support Services—\$27,009,620.00 up \$1.2m
- Executive Leadership-- \$5,290,316.00
- Program Support-- \$360,965,951, down \$29,779,049
- Unemployment Appeals Commission-- \$2,894,810, up \$22,706
- Unemployment Compensation-- \$70,401,167, down \$700,257
- Workforce Florida, Inc.-- \$12,982,561, up \$8,739

The recommendations above represent an overall loss of \$29,190,708.

Lisa Saliba from the Governor’s Office of Policy and Budget presented the Governor’s budget recommendation for the **Office of Tourism, Trade and Economic Development** which contain \$260 million in funding for economic development including:

- § \$100 million for second year funding for the Innovation Incentive Fund to attract high-value, high-impact businesses and research and development projects to Florida.
- § \$75 million to enhance film and entertainment incentives to attract film and television production to Florida.
- § \$40 million in new funding for Alternative Energy incentives to explore new fuel sources.
- § \$45 million in continued funding for the Quick Action Closing Fund to provide Florida with a viable competitive edge for attracting and retaining businesses.

The Governor’s recommended budget also provides continuation funding for Enterprise Florida, the Florida Sports Foundation, and VISIT Florida, as well as funding for the newly created Space Florida.

Information Technology

The Senate Government Operations Committee received a report by Mr. Joe Brigham, Staff Director – Technology Review Workgroup on the interim report: **Enterprise IT Governance – Senate Review and Study** on Wednesday, February 7th. Mr. Ray Wilson, Staff Director of the Gov. Ops Committee introduced the presentation by saying the reason for the review was that the last bill to address IT Governance in Florida was SB 1494 from the 2005 session and it was vetoed by then Governor Jeb Bush (R). He said we had learned a lot from the veto especially ensuring that in any governance structure, you must keep each branch of government controlling their core mission.

Mr. Brigham gave a power point presentation on the interim project report. The report is very detailed and represents over two years of research including input from Gartner, a technology consulting company world wide, as well as academia. Briefly the recommendation calls for the creation of new Governor and Cabinet IT Agency and a Consensus Committee on IT, modeled after the Revenue Impact Estimating Conference, to govern all enterprise information technology projects.

Sen. Steve Oelrich (R-Alachua) commented that there was indeed a need for enterprise governance so that efficiencies could be obtained as well as better communications among the agencies and departments on large IT projects.

Healthcare

The House Health Innovation Committee heard a presentation from Dr Paul Duncan, from the University of Florida on the demographics of the health uninsured population in Florida on Tuesday, February 6th. According to Dr. Duncan, uninsured individuals are generally: minorities especially Hispanics, low wage or seasonal workers, young workers, or employed by smaller firms. The vast majority of these workers can not afford the average \$12,000 cost per year to insure a "typical" family. He advocated a wide range of private sector initiatives to reduce the cost of care and to provide incentives for people to purchase coverage.

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://fbnnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.