



From January 12, 2007

The Florida legislature is back and in high gear in preparations for the upcoming Special Session on Insurance as well as the 2007 Regular Session, which kicks off Tuesday, March 6th. Both the Senate and House of Representatives held committee meetings all week, but much of the focus and buzz was on the property insurance crisis. There were a lot of new faces in each committee as is expected following an election year. A lot of time was spent this week introducing new committee members as well as staff. The committee chairs also laid out their committee's purview as well as what issues they will be discussing this year. In this report, we bring you some of the highlights of this week's committee meetings - focusing on core business issues.

Next week's Special Session is slated to begin at 1:00 pm on Tuesday, January 16th. As is always the case, AIF will be providing our members with daily reports on all the major developments and legislation being considered next week.

Insurance

Both the Senate and the House Insurance committees held extended meetings this week to outline their respective proposals for dealing with the current property and casualty insurance crisis. Floridians are feeling the stress of an affordability and accessibility problem and have demanded solutions from the Florida legislature. AIF and its Florida Hurricane Crisis Coalition (FHCC) have been meeting since early August of 2006 to come up with a set of recommendations and guidelines for addressing this problem.

Below you will find outlines of each of the proposals that will be considered during next week's Special Session.

[Draft Bill on Hurricane Preparedness and Property Insurance \(24-557B-07\)](#)

Senate Banking and Insurance Committee Workshop (1/9/07)

[Insurance Industry Accountability and Consumer Protection Act](#)

[Homeowners Rate Reduction Act](#)

[Home Enhancement and Loss Prevention \(HELP\) Act](#)

[Uniform Building Code Act](#)

[Citizens Reform and Private Market Restoration Act](#)

[Memorial on National Issues](#)

[Crist/Kottkamp Agenda for Affordable Property Insurance](#)

We will be providing an extensive analysis and positions on each of these proposals in our daily Special Session reports which beginning Tuesday, January 17th.

Affordable Housing

The House Interim Workgroup on Affordable Housing met on Wednesday, January 10th to hear testimony from various groups concerned with the problem of workforce housing in Florida. The Workgroup also heard a presentation by Mike Hansen, staff director for the House Policy and Budget Council, on the condition of the state budget and the effect of repealing the cap on Sadowski Act funds. These funds are generated by revenues from documentary stamp transactions and are earmarked for affordable housing projects.

Gene Adams testified on behalf of the Sadowski Coalition, a group of over 20 business and non-profit associations including AIF. Mr. Adams laid out the case for an outright repeal of the cap by stating that if the cap is not repealed Florida will be faced with attempting to fulfill \$500-600 million dollars of need with \$243 million as a result of the cap.

Property Tax Reform

Both the Senate and House will be focusing on property tax reform during the 2007 session. On Friday, January 12th the House Policy and Budget Council heard a presentation from Don Langston, staff director for the Governor's Property Tax Reform Committee. Mr. Langston outlined some of the recommendations presented by the public to members of the reform committee. Basically, there are three main areas of concern from taxpayers and business owners:

- Affordability – property taxes are no longer affordable for many taxpayers
- The “Lock-In” Effect – long time permanent resident homeowners are finding it difficult or cost prohibitive to move to another home within Florida
- Equity – Florida's property tax system creates and sustains significant inequities among taxpayers (business owners for example have seen their property tax bills double and triple as a result of the unintended consequences of the homestead exemption and the “Save Our Homes” constitutional amendment

The Governor's Property Tax Reform Committee will continue to meet throughout the state and will most likely come up with some recommendations for reform in the near future. Several members of the Policy and Budget Council voiced their displeasure in this delay and announced that they will be filing bills this session to deal with this issue.

On the Senate side, Senator Mike Haridopolos (R-Melbourne) announced on Friday that his committee (Finance & Tax) will be traveling around the state conducting public hearings on the issue of property tax reform beginning in two weeks. The first meeting will be in Panama City on Thursday January 25 from 6:00 – 9:00 pm. Subsequent meetings will be held in conjunction with committee meeting weeks and should fall on Thursdays evenings. Other locations for public hearings will include Jacksonville, Gainesville, St. Pete/Tampa area and South Florida. The last meeting for public hearings will be February 22.

Transportation

Regional coordination in transportation development was the subject of a Florida Senate Interim Report discussed this week by the Senate Transportation Committee. It shows that the trend of large scale urbanization in Florida generates economic activity that is largely indifferent to municipal and county jurisdictions. Many areas of the state are beginning to realize that addressing infrastructure development on a regional basis is a practical necessity now and for the foreseeable future.

Encouraging and facilitating more sophisticated regional coordination was recommended to the committee. A variety of suggestions included making metropolitan planning organizations more independent by having staff funding at the state level, separating them from local government control.

Funding mechanisms to encourage the regional approach and exclusions from program eligibility for sub-regional partnerships were also discussed. The committee agreed that these and other recommendations in the report should be incorporated into a proposed committee bill and filed for consideration during the 2007 Regular Session.

Taxation

The House Utilities & Telecommunication Committee held a workshop on the Communications Services Tax (CST) in their first meeting of the 2007 session on Thursday, January 11th. Associated Industries of Florida is pursuing a reduction in the CST rate and has asked Representative Ron Reagan (R-Sarasota) and Senator Mike Haridopolos (R-Melbourne) to file the bill this year.

The Department of Revenue (DOR) testified first, giving a history of the CST and the amount of revenue it brings in to the state and local governments. Chairman Dave Murzin (R-Pensacola) asked Lisa Echeverri, Deputy Secretary of DOR, about the local governments' emergency rate provision, which he had filed a bill to repeal last session. She said there were about 36 local governments with an emergency rate which is above their maximum rate today.

AIF lobbyist Frank Meiners testified next. He explained how the CST rate got so high. It goes back to when the telecommunications industry was a monopoly and served as a good collector of taxes. The CST includes the state sales tax of 6.8%, the Gross Receipts Tax at 2.37% and then the local tax which has a cap of 5.1%, unless the local government has enacted an emergency rate to exceed the cap. He also mentioned that the rate reduction is number 96 on the Speaker's 100 ideas and that Governor Crist (R) had campaigned on reducing the rate as well. Rep. Anitere Flores (R-Miami) asked if the bill would lower the Gross Receipts Tax (GRT) which is used for Capital Outlay to build schools. Mr. Meiners replied that it would not impact the GRT at all; the bill only reduces the sales tax rate from 6.8% to 5.63%, which makes the total state CST rate go from 9.17% to 8%, a reduction of 1.17%.

Mr. Scott Mackey, an economist followed with a detailed presentation giving strong economic support for reducing the CST rate. Representative Kevin Ambler (R-Tampa), also an Economist, asked several questions about some of the econometric models Mr. Mackey used in his presentation. Representative Ambler agreed that the reduction in the tax rate would stimulate more spending by the customers both in communications services and other taxable products and services.

Both the Florida League of Cities and The Florida Association of Counties testified about how the CST affects them. When asked about whether they supported the bill to reduce the state sales tax portion of the CST, they both said they did.

Health Care

The new health committees of the House and Senate met this week to discuss their organization and legislative objectives. The committees took reports from Administration representatives on home and community based programs, the nursing home diversion program and on the Medicaid managed care pilot programs including Senior Care, which creates an integrated system for Medicaid long term care recipients. Tom Arnold, the state Medicaid Director stated that the Agency for Health Care Administration (AHCA) is moving forward with plans to expand the Medicaid Managed Care Pilot Program currently in Broward and Duval counties to Clay, Baker and Nassau counties. He also stated AHCA is still making plans to implement the Senior Long Term Care pilot program in the Panhandle and Orlando areas, but that the program is now in the hands of the Legislature because implementation can not take place without additional legislation.

Bill Bell from the Florida Hospital Association (FHA) presented on the overcrowding in ER rooms across the state. He stated that demand for services is increasing while the supply of hospitals, doctors (especially specialists and hospital based doctors) and nurses are decreasing. The FHA provided the Legislature with a report on the current situation. It carries extensive discussion about the shortage of physician specialists.

The House Healthcare Council met on Tuesday, January 9th. Chairman Aaron Bean (R-Fernandina Beach) opened the meeting by introducing staff and some of the new committee members. His excitement and enthusiasm was felt by all as he explained how the council would operate this year. There are 14 ideas that they will be tackling in this committee. He pointed out that this would be a tough year and that he was ready to get things done before his term limit. He also told everyone that there will be a lot of appropriations that will NOT be funded this year and that all stakeholders should be prepared for that.

Economic Development

The first meeting of the year for the Senate Commerce Committee met on Tuesday, January 9th. Chairman Alex Diaz de la Portilla (R-Miami) welcomed the three new freshman Senators to the nine member committee – Senator Jeremy Ring (D-Margate), Senator Charlie Justice (D-St. Petersburg), and Senator Steve Oelrich (R-Gainesville).

David Cooper, the Committee Staff Director, outlined the committee jurisdiction, focusing on the key economic development agencies in Florida: Visit Florida, Black Business Investment Board, Office of Tourism, Trade and Economic Development, and Enterprise Florida, as well as state agency issues such as the Agency for Workforce Innovation and Department of Business and Professional Regulation.

The committee featured presentations by Bud Nocera, CEO of Visit Florida and John Adams, President and CEO of Enterprise Florida. Both of these entities share many of the same issues as AIF

Bud Nocera gave a significant overview of Visit Florida. Started in 1996 by the Florida Legislature, Visit Florida is a public private partnership with the state of Florida and private entities to promote tourism. Visit Florida has over 3400 business partners, including attractions, parks, hotels, restaurants, airlines, retail establishments and others who focus their efforts on marketing and promoting tourism in Florida. With the continuing decline in tourism overall, Mr. Nocera discussed how the current \$62 billion tourism industry in Florida is handling extreme competition from not only other states but other countries such

as Canada and Mexico. One recommendation that Mr. Nocera shared with the committee was their legislative budget proposal to increase the state's contribution to Visit Florida from \$24.7 million to \$59 million.

John Adams of Enterprise Florida also gave an overview of their agency. Mr. Adams highlighted their issues of focus as IT, Aerospace, Energy, Financial Services, Bio-Sciences, Homeland Defense and Marine (boats, ports, marine sciences, etc). Mr. Adams also discussed their international focus - having a presence in 11 foreign markets and supporting over \$100 billion in exports from Florida alone. Mr. Adams highlighted the four main challenges facing Enterprise Florida and the future of Florida's economy: Affordable and Attainable Housing, Insurance, Workforce Education, and Infrastructure (to include issues such as transportation and IT connectivity). Mr. Adams indicated their primary focus will continue to be remaining competitive and creating new jobs in Florida. He further highlighted their continue focus on attracting direct foreign investment in Florida – including the use of Florida's air and sea ports as hubs to a growing connection with Latin America.

The meeting ended with a presentation by the Florida Department of Agriculture. Led by newly re-elected Commissioner Charles Bronson, the Department of Agriculture and Consumer Services is a state agency with 13 primary divisions and over 3,800 employees. These divisions and employees help support the key mission of the agency: ensuring the safety and wholesomeness of food and other consumer products, protecting consumers from unfair and deceptive trade practices, assisting Florida's farmers and agriculture industry, and conserving the state's agricultural and natural resources through wildfire reduction, prevention of animal disease, promoting environmentally safe agriculture policies, and managing public lands.

Energy

One of the newly created committees by Speaker Marco Rubio (R-Miami) is the House Committee on Energy. It met for the first time on Wednesday, January 10th in conjunction with another newly created committee, the House Agribusiness Committee and featured presentations by Allen Guyet on the implementation of last year's landmark energy policy (SB 888), Tommy Boroughs, Chairman of the Florida Energy Commission, and newly re-elected Agriculture Commissioner Charles Bronson. Commissioner Bronson gave an excellent update on Florida's "Farm to Fuel Initiative". According to Commissioner Bronson, Florida has the capability of producing more alternative fuels than anywhere else in the country. Florida's abundant sunshine, ample rainfall and year-round growing season puts Florida ahead of every state in the country in its potential to produce ethanol and bio-diesel crops.

Commissioner Bronson highlighted the need for tax incentives or some form of financial assistance that the state can provide to encourage growers to produce alternative energy crops and processors to locate facilities in Florida to convert the crops to fuel, Bronson said.

Bronson is a member of the steering committee of "25x25" -- a national bipartisan organization whose goal is to see U.S. agriculture produce 25 percent of the nation's energy needs by the year 2025. In his presentation, he pointed out that if the "Farm to Fuel" initiative is successful in Florida, it would not only lessen the state and nation's dependency on foreign oil but would keep green space in Florida by giving farmers yet another crop to produce and a way to make a profit.

Environment

The House Committee on Conservation & State Lands and the House Committee on Environmental Protection met jointly on Wednesday, January 10th to hear presentations regarding water management districts, the Department of Environmental Protection, the Florida Fish and Wildlife Conservation, and the Florida Natural Areas Inventory. Mike Sole, the newly appointed Secretary for the Department of Environmental Protection gave an overview to the committee on what the department does; its staff and budget. DEP has the following priorities for this year:

- Restoring the Everglades and Lake Okeechobee
- Energy
- Restoring and protecting water quality and quantity
- Maintaining public lands

Secretary Sole stated that the 2006 Energy Act (SB 888) passed last Session is a four year plan and that the Florida Energy Office will continue to look at incentives and technology. With regards to energy, DEP will be requesting the same funding as last year - \$15 million for grants and \$25 million for incentives.

Carol Wehle, Executive Director of the South Florida Water Management District (SFWMD), gave a presentation about the Everglades restoration project. Vast improvements have been made to the Everglades and Lake Okeechobee and part of the comprehensive restoration plan included an economic stimulus. According to state economic models every dollar invested in rural water infrastructure equates to \$14 in economic impact. They created a small business enterprise program where local businesses and labor benefited.