



DAILY BRIEF

From March 24, 2011

A majority of the members in the Florida Legislature believe that reforms for our state's pension system are a foregone conclusion. The only question that remains is – to what extent?

In respect to Florida's Retirement System (FRS), the House and Senate have crafted significantly different proposals that seek to eliminate the Deferred Retirement Option Plan (DROP), implement an employer contribution component, and increase the age of retirement for public employees. Today, the House significantly softened their proposal to adhere to concerns within the public sector, as the Senate did in prior weeks. A few provisions from the newly amended bill:

- Drops the employee contribution rate from 5% to 3%
- Reinstates the health care subsidy used by retirees to assist in making health insurance premium payments, which had been removed;
- Moves the accrual rate for all employees in all classes back to the status quo; *and*
- Closes the Deferred Retirement Option Plan (DROP) to new participants.

Despite concessions made by the House & Senate, they are still a far cry from Governor Scott's proposal for public employees to contribute 5% of earnings to their individual pension plans. Full coverage of today's pension reform debate can be read in this edition of the AIF Daily Brief.

Education

This morning in the Senate Budget Subcommittee on Education Pre-K-12 Appropriations, Senator David Simmons (R-Altamonte Springs) presented SB 1466 Relating to Class Size Requirements. This bill redefines "core-curricula courses" so districts can have some flexibility in implementing the constitutionally mandated class size restrictions. It also provides limitations on the absolute maximum number of students who may be assigned to a teacher when an existing class temporarily exceeds the class size. Class size maximums will only be able to temporarily expand in the case of extreme emergency beyond the district's control or when a student enrolls after the October survey period.

Several school districts testified in support of the bill, with no parties speaking in opposition. After much praise from the members during discussion, SB 1466 was passed unanimously.

SB 1466 and has one more stop in the full Senate Budget Committee before proceeding to the floor.

AIF SUPPORTS improving flexibility for school districts in implementing the constitutionally mandated class size reductions in order to preserve the offering of a wide array of non-core subjects such as languages, arts, and other accelerated courses.

Growth Management

Today, the House Economic Affairs Committee considered and unanimously passed HB 639 Relating to Affordable Housing by Representative Gary Aubuchon (R-Cape Coral). This bill removes the statutory limitations on the amount of documentary stamp revenue that goes into the State Housing Trust Fund and the Local Government Housing Trust Fund. Furthermore, it provides that funds from the State Housing Trust Fund or the Local Government Housing Trust Fund that are appropriated for use in the State Apartment Incentive Loan Program, Florida Homeownership Assistance Program, Community Workforce Housing Innovation Pilot Program, or the State Housing Initiatives Partnership Program may not be used to finance or otherwise assist new construction until July 1, 2012.

While the removal of the cap is accomplished by this bill, the provision freezing monies for any new construction programs reflects a desire on the part of the Legislature to lessen the glut of housing on the market today.

HB 639 has passed its final committee of reference and is scheduled for second reading on the House Calendar. The Senate companion, SB 912 by Senator Mike Bennett (R-Bradenton), is currently in the Senate Budget Committee.

AIF SUPPORTS legislation that repeals the Housing Trust Fund cap and appropriates all doc stamp revenue toward affordable housing. AIF has worked closely with the Sadowski Coalition in effort to allocate these funds for which they were originally intended.

Economic Development

Today, the House Finance and Taxation Committee passed HB 943 Relating to Capital Formation for Infrastructure Projects by Representative Eric Eisnaugle (R-Orlando). HB 943 creates the “Florida Infrastructure Fund Partnership”, a contingent tax credit program designed to leverage investment and private funding for state infrastructure projects, aiming to encourage private sector growth in Florida.

Under this bill, the Partnership is authorized to raise \$700 million in private funds for direct investment in infrastructure projects including water or wastewater systems, communication systems, power systems, transportation systems, renewable energy systems, ancillary or support systems, or other strategic infrastructure needs. The Florida Opportunity Fund, created to mobilize and increase venture capital available to Florida businesses, will serve as the general partner of the program.

HB 943 will now move on to the House Economic Affairs Committee, its final committee of reference before proceeding to the House floor. The Senate companion measure, SB 976 by Senator Ellyn Bogdanoff (R-Ft. Lauderdale), waits to be heard in the Senate Commerce & Tourism Committee.

AIF SUPPORTS legislation that will encourage direct investment in our state’s infrastructure projects. Furthermore, we commend Representative Eisnaugle for bringing forth a proposal to effectively stimulate private sector growth and create jobs when our state needs it the most.

Pension Reform

The House measure on pension reform for public employees, HB 1405 by Representative Ritch Workman (R-Melbourne), was passed out of the House State Affairs Committee today. Passing by a partisan vote of 13-6, the committee's time was largely consumed by highly charged and emotional testimony from police, firefighters, teachers, and committee members themselves.

HB 1405 was substantially amended at today's meeting to require a three percent contribution, down from five percent, by employees of all classes of the Florida Retirement System (FRS) or 401(k) Investment Plan. Governor Rick Scott is advocating a mandatory five percent contribution among all employees.

The amended bill also:

- Reinstates the health care subsidy used by retirees to assist in making health insurance premium payments, which had been removed;
- Moves the accrual rate for all employees in all classes back to the *status quo*;
- Closes the Deferred Retirement Option Plan (DROP) to new participants. (DROP allows an employee to retire while continuing employment for up to 60 months, or up to 96 months for certain instructional personnel); and
- Increases the retirement age and years of service for those initially enrolled on or after July 1, 2001, from age 55 to 60 years of age, and from 25 to 30 years of service for members of the Special Risk Class; and from 62 to 65 years of age, and from 30 to 33 years of service for all other classes, whichever comes first.

HB 1405 does not affect current employees, but any new hires on or after July 1, 2001 would be subject to the revisions. In addition, the bill does not delve into local retirement pension plans, as does SB 1128 by Senator Jeremy Ring (D-Margate). Representative Workman further stated that the bill is estimated to save taxpayers \$710 million.

Debate on the bill was hotly partisan with Representative Luis Garcia (D-Miami) asserting at one point the committee was addressing a "pig". He and other Democrats on the committee alleged that the bill is simply a mechanism to address the state's budget shortfall on the backs of its employees.

Representative Keith Perry (R-Ocala) countered by saying opponents need to step back and look at what is happening in a world beyond their own. Representative Perry is a long-time small business owner whose employees have taken a 10-50 percent pay cut since the inception of the recession.

Representative Steve Crisafulli (R-Merritt Island) followed suit by explaining that his family's company has reduced employees from 100 to 5 to survive the economic downturn. With regard to the increase in retirement age, Crisafulli went on to say that some in the private sector never get a chance to retire: "My Dad still whips cows and picks fruit; my grandfather died on a tractor (working); and my grandmother died at her desk (in her office)", he explained.

Representative Debbie Mayfield (R-Vero Beach), a co-sponsor of the legislation, stated that there are currently about 294,300 retirees and about 650 thousand active employees, and that the bill's passage is necessary to guard against a train wreck down the road, which will come as a function of demographics.

HB 1405 now moves to the House Appropriations Committee, its final committee of reference. The comparative Senate measure, SB 1130 by Senator Jeremy Ring (D-Margate), awaits consideration in the Senate Budget Committee.

AIF SUPPORTS efforts to bring Florida's pension system more in line with that of the private sector. Florida's taxpayers are shouldering the burden of the growing liability of these state and local government pension plans.

Environmental

Today, the House Finance & Tax Committee unanimously approved HB 641 Relating to Contaminated Site Rehabilitation Tax Credit by Representative Debbie Mayfield (R- Vero Beach). The original legislation increases the total amount of the Voluntary Cleanup Tax Credit Program (VCTC) cap from \$2 million to \$4 million annually; however, there was amendment adopted today that increased the amount of the cap to \$5 million.

The VCTC can be apply toward corporate income taxes and helps with the cleanup of Brownfield sites so that they can be redeveloped or reused. The tax credit program continues to be a strong incentive for voluntary cleanup of contaminated sites in Florida. With a greater number of sites that are cleaned up and eligible for use, the more property that goes back on the tax rolls.

AIF SUPPORTS increasing the current \$2 million general revenue appropriation to \$5 million for applicable tax credits for Brownfield site cleanup.

Health Care

Today, the House moved one step closer to reining in the ever increasing cost of the state's Medicaid Program. Currently, Florida's Medicaid Program is approximately one-third of the entire budget. As such, policymakers in the House and Senate recognize that strong leadership is needed on this issue to ensure quality care is provided in a cost-efficient manner.

The full House Appropriations Committee, chaired by Representative Denise Grimsley (R-Sebring), approved HB 7107 & HB 7109 by the House Health & Human Services Committee which would overhaul the state's Medicaid program. The measures would set up the process for establishing a statewide integrated managed care program for all covered services for Florida's neediest residents. Currently, Florida's Medicaid program serves more than 2.9 million recipients.

The bills provide for three separate programs - the Medicaid Managed Medical Assistance program which will provide primary and acute care for Medicaid recipients; the Long Term Care Managed Care Program for residential and home and community based care; and the Managed Long Term Care for Persons with Developmental Disabilities. Further, the language directs the Agency for Health Care Administration (AHCA) to prepare and submit a waiver to the federal government in order to implement this program. Over the last several months, the House has taken public testimony from all stakeholders, including Associated Industries of Florida, which explained to members that employers and employees have continually subsidized the high cost of this program in the form of higher private health insurance premiums.

Representative Robert Schenck (R-Springhill), Chair of the Health and Human Services Committee, thanked members for their efforts to improve this very complicated system. Democratic committee members continued to express their concerns about moving these recipients into an integrated care model.

HB 7107 is expected to be brought up on the House floor as early as next week. The Senate Medicaid proposal - SB 1972 by Senator Joe Negron (R-Palm City) – is scheduled for consideration in the Senate Health Regulation Committee on Wednesday, March 30th at 8:00 am.

AIF SUPPORTS the Legislature’s plan to make bold changes to the Medicaid Program by streamlining this highly fragmented delivery and payment system.

Taxation

Today, the House Finance & Tax Committee passed HB 311 Relating to Local Business Taxes by Representative Ken Roberson (R-Port Charlotte). This bill aims to reduce the tax burden Florida employers are currently facing as a result of local ordinances that require employees to pay local business taxes if their employer is already paying local businesses taxes to operate a business. The bill prohibits local governments from imposing a “local business tax” for professions regulated by the Department of Business and Professional Regulation (DBPR) without the local government verifying that the person has satisfied the DBPR qualification requirements. Furthermore, the bill clearly specifies that an individual who engages in or manages a business, profession, or occupation as an employee of another person is not required to pay a local business tax, obtain a local business tax receipt, or apply for an exemption from a local business tax.

Members of the business community including AIF were in attendance to voice their support for this bill. At a time when unemployment is at an all-time high, employees should not be forced to pay additional occupational taxes if their employer is already paying a local business tax.

Representative Roberson made an effective closing argument on his bill by stating that his bill would remedy the existing “double taxation” that is currently taking place across the state of Florida.

HB 311 will now proceed to the House Economic Affairs Committee, its final stop before the House Floor.

AIF SUPPORTS legislation that eliminates the requirement for certain employees to pay a “local business tax” if their employer is already paying a similar tax. This legislation will reduce the tax burden on employees across Florida and create a more business-friendly environment at a time when Florida’s economy needs it the most.

The House and Finance Committee considered another AIF priority measure today – **Proposed Committee Bill (PCB) FTC 11-01** Relating to Corporate Income Tax.

The state corporate income tax is a function of the taxpayer’s federal income tax. Each year, Florida passes a corporate income tax “piggyback” bill to adopt the federal changes that were made to the federal code. In some cases, however, when the federal code changes allow for increased depreciation of certain assets that would cost the state revenue, the state does not always codify those particular changes.

SB 1998 extends this process for the 2010 and 2011 federal changes, thus avoiding the \$500,000.000 estimated loss in corporate income tax.

AIF Lobbyist Frank Meiners testified in support of the measure today, expressing the business community's appreciation to Chairman Steve Precourt (R-Orlando). Mr. Meiners explained that by adopting this measure, Florida's businesses will be precluded from keeping two sets of books when paying corporate income tax.



PCB FTC 11-01 will now be provided a bill number and referenced to further committees. The Senate measure, SB 1998 by the Senate Budget Subcommittee on Finance and Tax, awaits consideration in the Senate Budget Committee.

AIF SUPPORTS the adoption of a corporate income tax “piggyback” bill that codifies federal income tax code changes and ensures that businesses are not burdened with keeping two sets of books.