ASSOCIATED INDUSTRIES OF FLORIDA

LEGISLATIVE DAILY BRIEF

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

FOR MARCH 11, 2002

TAX PLAN SUFFERS BLOW WITH RECOVERING ECONOMY

Supporters of the Senate's proposed $1.1 billion tax increase on Florida's citizens suffered a setback on Friday. Florida's Revenue Estimating Conference convened and issued a surprisingly positive report. The Conference, made up of economic and tax experts appointed by the Governor, Senate and House, estimated that Florida's tax revenues would increase by $643.9 million for the 2002-03 fiscal year. Senate President John McKay (R-Bradenton) and others were in the somewhat awkward position of hoping the numbers wouldn't be, "too good" and deflate what little support remained for the huge tax increase tucked away in the Senate's proposed budget.

A $200 or $300 million increase in tax revenue would have been a positive development for the budget negotiations between the House and Senate, but not earth shattering. However, an estimated increase well over $600 million does shift the ground dramatically and probably toppled over what few Republican Senators remained in favor of the tax plan out of loyalty to the Senate President.

It needs to be remembered that the $1.1 billion proposed increase has been characterized as a repeal of the "indefensible" sales tax exemptions, those that are either outright silly or difficult to articulate in the context of economic development or competitiveness. However those exemptions, such as the ones related to Ostrich Feed or skyboxes for athletic events actually make up the tiniest of fractions in the huge tax increase. Disingenuously left out of the Senate President's comments to the press were the sales tax exemptions related management, management consulting and public relations services. Also included and never mentioned in the plan are the exemptions for computer programming, systems design and data processing. Those two categories provide about $800 million of the $1.1 billion in new tax dollars. These exemption repeals would hit all of Florida's businesses large and small. Florida businesses are already taxed at the fifth highest rate in the nation, according to a recent Florida Taxwatch study.

Governor Jeb Bush responded to the new report of gushing tax dollars, releasing a statement that said, "I am fully confident that with this surplus revenue and a continued rebounding of the economy, we can meet our priority needs without raising the taxes on of the state's hardworking citizens." AIF agrees.

AIF is opposed to this new proposal that arbitrarily zeroes out sales tax exemptions for a $1.1 billion tax increase on Florida's citizens. 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.

MINIMUM WAGE VS. "LIVING WAGE"

The Florida House of Representatives gave final approval today to HB 859 by Representative Allan Bense (R-Panama City) by a vote of 110 to 10. The bill is now in Senate Messages awaiting consideration by that body. The bill restricts local governments from arbitrarily mandating that local employers pay a minimum wage in excess of the federal minimum wage. Characterized as 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.

AIF supports the bill. A "living wage mandate" would have an extraordinarily damaging effect on the hospitality business community. 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.

EMPLOYER HEALTH PLANS TAKE ANOTHER HIT

SB 1490 by Senator Skip Campbell (D-Tamarac) and the Senate Health, Aging and Long Term Care Committee was amended and approved in the Senate Health and Human Services Subcommittee today. The bill represents the largest and most expensive of any proposed mandate on health insurance providers in recent memory. This bill redefines *emergency medical condition* to include psychiatric disturbances and substance abuse, requiring such coverage by health insurance and related health maintenance organizations. The bill establishes coverage requirements for providing emergency services and care under individual, group, blanket, or franchise health insurance policies, preferred provider organizations, and exclusive provider organizations.

The bill gives the physician who stabilizes a patient's emergency medical condition sole discretion to continue to care for the patient in the hospital for any medically necessary follow-up or to transfer care of the patient to a provider that has a contract with the insurer.

This bill is an enormous expansion of the coverage(s) mandated on health plans under current law. In addition to the coverage of "psychiatric disturbances" and substance abuse in an emergency room environment, the bill stipulates the health plan must cover whatever the doctor recommends in additional care, whether the health plan provides such care in its original plan or not.

Worse yet, because of the potential cost to Medicaid and Medicare under this proposal, an amendment was offered and adopted to exclude these services from the bill, leaving the insurers to foot the entire bill. Employer health plans already pay the "cost shift" in their premiums to cover the unpaid bills by those who use emergency room services without the resources to pay their bills. Now, with this bill, employers would be asked to underwrite services outside the HMO contract and services that should be underwritten by Medicaid and Medicare.

This bill is monstrously expensive and ill conceived. In short order, it would wreck the finances of health plans in this state, driving up costs to Florida's employers. AIF is opposed to this bill. Florida's employers are currently experiencing double digit increases in their premiums. This bill would only exacerbate the situation.

Stay tuned to our daily brief and to our web site at www.fbnnet.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://fbnnet.com
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.