



March 26, 2010

Legislative Update

Fourth Week of Session, March 22-26, 2010

House and Senate Budgets to Be Voted On Next Week; Education Reforms Passed by Senate

The House and Senate both completed committee work on their respective spending plans this week, setting the stage for a vote (and consideration of amendments) next week. The House budget totals \$67.2 billion, while the Senate budget totals \$68.6 billion. The higher Senate total is due to it including \$880 million in anticipated—but not yet approved—federal Medicaid funds. The Senate budget also uses \$435 billion from the Seminole Gaming Compact, which is also not certain (see *Seminole and Pari-mutuel Gaming* below). The extra money allowed the Senate to restore many cuts in health and human services, increase education spending, and provide some funding for libraries, Florida Forever, and Everglades restoration. The House does not include any of these funds.

The full Senate also passed a number of education reforms this week. One was the teacher merit pay bill (SB 6), which would partially tie salary increases to student performance and put all teachers on annual contract. These changes are consistent with the state's Race to the Top application as part of the \$4.35 billion competitive federal grant process. While many factors influence student learning, none carries the weight or import of the effectiveness of the teacher. If Florida's vision includes having an outstanding teacher in every classroom, not merely mediocre, we must find ways to encourage this aspiration—including merit pay. A long-time Florida TaxWatch and Florida TaxWatch Center for Educational Performance and Accountability recommendation, a high performing teacher, encouraged through performance-based merit pay, will elicit excellence from all students and move them forward academically.

The Senate also passed SB 4 to increase high school graduation standards. It would phase-in a requirement for students to take geometry, two years of algebra, biology, chemistry or physics, and an additional science course.

The full Senate also passed Florid TaxWatch-supported legislation relating to the Class Size Amendment and the Florida Tax Credit Scholarship (see more information in the *Cost Savings Legislation* section below).

Due to Easter and Passover, the Legislature will have a short week next week. Lawmakers will meet on Wednesday and Thursday only, when both chambers will be in session.

Cost Savings Legislation

The following is a summary of legislation that addresses items included in the final report of the Florida TaxWatch Government Cost Savings Task Force. The report contains 88 individual recommendations that have the potential to save the state more than \$3 billion annually. You can read the report [here](#).

Senate Bill 2386 by **Senator JD Alexander** is a major vehicle for implementation of Task Force recommendations. **It cleared its last Committee stop, the Policy & Steering Committee on Ways & Means, this week. There is no House version at this point.**

Reduce Exemptions from Competitive Bidding – SB 2386 removes certain types of services from the list of services exempted from competitive bidding requirements, including auditing services, academic program reviews, health services, and Medicaid services.

Increase use of electronic payment disbursements – SB 2386 also directs all agencies and the judicial branch to use electronic payment disbursement for all state payments where possible.

Increase use of electronic payment receipts – SB 2386 also directs all agencies and the judicial branch to use electronic payment receipts for all state payments where possible.

Improve Enforcement of the Preferred Pricing Clause – SB 2386 also requires each state agency to review its contracts to determine if each contractor complies with the applicable preferred pricing clause. Contracts which include a preferred-pricing clause and were executed, renewed, extended, or modified on or after July 1, 2010, must require an affidavit by the contractor attesting that the contract is in compliance with the preferred pricing clause. The term “preferred-pricing clause” is defined.

Renegotiate Non-Client-Service Contracts – SB 2386 also requires each state agency to review and renegotiate existing contracts renewals to reduce contract payments by 3 percent.

Cap Bright Futures Scholarships – HB 1344 is aimed at reducing the cost of Bright Futures. The bill increases test score requirements to qualify, removes the restoration of a scholarship after a student loses it, reduces the number of credits covered, and reduces the time to utilize the award to 4 years from 7 years. It also incentivizes early graduation. **It cleared its last Committee stop, the Policy & Steering Committee on Ways & Means, this week.**

Relax the Class Size Amendment – SJR 2 and HJR 7039 are proposed constitutional amendments that would change the 2002 class size amendment to provide greater flexibility to school districts and save approximately \$350 million. **The full Senate passed its bill this week.**

Florida Tax Credit Scholarship – SB 2126 and HB 1009 would expand the Florida Tax Credit Scholarship, a program that gives businesses a tax credit in exchange for paying for a scholarship. **The full Senate passed its bill this week.** The bill adds new tax sources that are available for the credit, increases the total amount of scholarship money that can be awarded from \$118 million to \$140 million. It also expands the income eligibility for students and increases the per student award gradually from \$3,950 to 80 percent of per pupil spending. It also adds important accountability provisions for private schools. In addition to increasing school choice, the savings from reducing the number of public school students will more than offset the tax credits. **The House bill cleared Finance & Tax this week.**

Tax Amnesty – HB 5801 would create a Tax Amnesty program to provide taxpayers the opportunity to pay overdue taxes without late penalties, with reduced interest charges, and with avoidance of criminal prosecution. The Revenue Estimating Conference estimates it will bring in \$82.9 million. **It passed the Full Appropriations Council on Education & Economic Development this week and is now on Special Order.**

Adding Department of Revenue Tax Auditors to Increase Tax Compliance – HB 5801 also provides 25 new auditors to the Department of Revenue. **It passed the Full Appropriations Council on Education & Economic Development this week and is now on Special Order.**

Reduce Corporate Filing Fees but Stop Waiving Late Penalties – HB 5505 and SB 1444 both would remove a provision that results in the Department of State routinely waiving the supplemental corporate late fee and the reinstatement fee, making the fees mandatory. **HB 5505 passed the Full Appropriations Council on Education & Economic Development this week and is now on Special Order. SB 1444 cleared its last Committee stop - the Policy & Steering Committee on Ways & Means - this week.**

Reducing Medicaid Fraud – The Florida TaxWatch report contained several recommendations to reduce Medicaid fraud. Numerous fraud bills have been filed, including **SB 8 which was approved this week by the Health Regulation Committee**. The bill would add additional staff to the CFO's office and create a Fraud Strike Force to pursue Medicaid and public assistance fraud. Also, state CFO Alex Sink has proposed a crackdown on fraud that includes a special Medicaid inspector general, a visual check system for suppliers, and various other reforms.

Online Hotel Bookings from Internet Intermediaries – SB 156 and HB 335 would require online hotel booking companies to apply state and local taxes to the full price of the booking, not just the amount paid to the accommodation owner for the right to book the room. The **House Finance and Tax Council took up its bill last week but a vote was temporarily deferred**. **There appears to be more support for HB 1241, which clarifies that the tax is not due on the full amount. That bill passed the Finance & Tax Council this week. A similar bill in Senate (SB 2436) was temporarily postponed this week, when it appeared passage was in doubt.**

Streamlined Sales and Use Tax Agreement (SSUTA) – HB 165 and SB 204 would bring Florida into full compliance with the SSUTA and allow Florida to begin collecting sales taxes on remote sales from members of the voluntary compact. Further, **HM 1083 and SM 94** urge Congress to enact legislation to authorize states that have complied with the SSUTA to require out-of-state sellers to collect each such state's sales and use tax. **HB 1443 and SB 2552** would authorize DOR to contract to develop and implement the Internet Sales Tax Automated Revenue Tracking program as system for collecting and administering sales & use taxes. None of these bills have had a committee hearing. **HB 1443** calls for the state to contract the development of an Internet Sales Tax Automated Sales Tax Tracking program (i-Start) to use credit card companies to track and collect the tax for the state. The bills also require that when collections exceed \$5 billion, the state sales tax rate will be reduced by 1 percent. **That bill passed the Finance & Tax Council this week.**

Reducing Pension Costs – The Task Force report had several recommendations to reduce state pension costs. **HB 1543 and SB 1902** address some of those ideas, or similar ideas. Prospects for pension reform are not good. **This week, the House bill was withdrawn this week and a scheduled vote on the Senate bill was postponed.** However, **SB 1307** would reduce the contribution rate for administrative costs to save the state \$4.2 million. **It passed Government Operations Appropriations this week.**

Financial Institution Data Match (SB 1976 and HB 7157) – One of the proposals in the Department Of Revenue's (DOR) annual tax administration bill would allow DOR to do electronic data matching with financial institutions for those taxpayers that already have tax liens

in the public record for matching and recovery of funds owed to the State of Florida. SB 1976 has cleared one committee and is now in Banking and Insurance. **HB 7157 passed Government Operations Appropriations today.**

Increase the Number of Lottery Selling Points – Both the House and Senate budgets provide authority to acquire up to 500 additional ticket terminals to increase the size of the retail network. The budgets also would provide \$3.9 million to purchase 750 automated vending machines. **Also, SB 674 passed the Regulated Industries Committee this week.** This would expand the player-activated games that the Department of the Lottery may make available.

Require All State Employees to Contribute to their Health Insurance – While most state employees contribute to the cost of their health insurance, more than 25,000 employees, including legislators, do not. **HB 1231 and SB 2498** would require all employees to pay the same premiums. No action on this legislation yet. **However, the current Senate budget contains language to eliminate the free health care coverage by requiring them to pay 10 percent of the \$180 a month family coverage now set for state workers with new hires or those promoted into formerly free-coverage status required to pay 50 percent of premium costs.**

Expand Drug Courts – **SB 2640** would require each county to fund a treatment-based drug court program. No action on this legislation yet. **HB 1587** would create a post-incarceration drug court. **It passed the Full Appropriations Council on Education & Economic Development this week.**

Federal Revenue Maximization – **HB 1465 and SB 2032** would create an Office of Federal Revenue Maximization in the Governor's Office to respond to federal grant opportunities and coordinate the use of federal funds in the state with the CFO, the Governor's Office of State-Federal Relations, the judiciary, the Legislature, and the Legislative Committee on Intergovernmental Relations. No action on this legislation yet.

Reducing Textbook Costs – **HB 5101 and SB 1386** contain a provision requiring instructional materials adopted after 2012-13 to be adopted in an electronic format. **Both bills cleared and are now ready for the floor.**

Expand Programs That Reduce Recidivism – **HB 811 and SB 2260** would initiate six new faith and character-based programs at existing prisons. Eligibility for these programs would also be increased. Research shows that these programs reduce recidivism at no cost to the state. **HB 811 passed the Criminal Justice Appropriations this week.**

Dispose of Unneeded State Facilities & Land Holdings – HB 7169 and SB 1516 require the Department of Environmental Protection to maintain a comprehensive database of all state-owned real property that is available to the public electronically. The legislation requires other agencies to supply data to the databases. **This week, SB 1516 passed the Policy & Steering Committee on Ways and Means and HB 7169 passed the Economic Development & Community Affairs Policy Council.**

Bill Track

There was also action this week on a number of other issues Florida TaxWatch is following:

Sales Tax Cap for Fractional Aircraft (HB 913 and SB 858) – Last year, Florida TaxWatch released [The Economic Impacts of Restructuring Florida’s Sales and Use Taxes on Fractional Aircraft Ownership](#) that demonstrated the positive benefits of creating a sales tax exemption for aircraft used in a fractional ownership program (where multiple persons buy interests in a plane), as well as parts or labor used in repairing or maintaining such a plane. HB 913 and SB 858 do this and limit the tax due on the sale of a fractional ownership interest to \$300. **HB 913 passed the House Finance & Tax Council this week.**

Seminole & Pari-mutuel Gaming – Resolution of the gambling debate drew nearer this week when the **Senate Regulated Industries Committee passed SB 622 this week.** The bill calls for a new compact with the Seminole Tribe and grants enhancements to the state’s current pari-mutuel facilities. The Seminoles would be able to operate slots at all seven casinos and banked card games at five casinos. Pari-mutuels would get a tax rate reduction from 50% to 35%. Also, hours would be extended and no-limit poker would be allowed. Showing it optimism, the Senate budget includes \$435 million from the Seminole Compact. The House budget does not.

Sales Tax Holiday – The House Finance & Tax Council passed a committee substitute this week to combine two bills – HB 483 and HB 469. This CS will create a three-day sales tax holiday for books, clothing, footwear, wallets, handbags, and backpacks. Items must cost \$50 or less to qualify. It is estimated the bill would save taxpayers \$21.3 million. Compared to the two original bills, the CS reduces the time from 10 days and the price limit from \$100; however, it adds books to the exemption.

Re-write of Property Tax Amendment (HJR 655 and SJR 1254) – Last year, the Legislature passed a proposed property tax constitutional amendment for the November 2010 ballot. It would provide an additional 25% (maximum \$100,000) exemption for Floridians who buy a new home and have not owned another home for eight years. The exemption would be phased out over five years. It would also reduce the 10% cap on assessments of non-homestead for property taxation

to 5%. This year, the Legislature is considering a re-write of that amendment, expanding the additional homestead exemption to 50% (maximum \$100,000) for Floridians you have not owned another home for three years. **HJR 655 was approved the Finance & Tax Council this week.**

Property Tax Exemptions (HB 151, SB 1380 and SB 1410) – In November 2008, voters approved a Constitutional amendment aimed at promoting renewable energy upgrades and hurricane prevention. HB 151 would implement the amendment, preventing appraisers from including such upgrades in a home's assessed value. This exempts hurricane-resistant shingles, storm shutters, water barriers, and other hardening techniques, as well as solar heaters, wind turbines, geothermal heating systems, and other renewable energy upgrades. **HB 151 was approved this week by the Energy & Utilities Policy Committee.** A handful of measures addressing the 2008 amendment have been filed in both chambers. The Senate splits the wind hardening and renewable energy exemptions into two bills – SB 1380 and SB 1410, respectively. Both Senate bills are now in the Senate Finance & Tax Committee.

Raiding Transportation Revenues – The House budget currently plans to sweep \$428 million from the State Transportation Trust Fund (STTF) for use in other areas. The STTF is used to fund road projects in the state and is funded by gas taxes and other transportation-related revenues. In addition to a one-time sweep of \$278 million, **HB 5503** would re-institute an annual \$150 million surcharge on the STTF that was eliminated years ago. Declining revenues are already projected to cost the STTF \$487 million. **Florida TaxWatch, along with many in the business community, testified this week in committee, recommending that the Legislature does not raid the State Transportation Fund.** With all the talk in the Capitol about creating jobs, this very short-sighted measure would cost Florida thousands of jobs. However, the bill passed and the sweep is now part of the House budget package. The Senate budget does not contain a raid on the STTF.

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 30-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida state and local government. Its support comes from homeowners and retirees, small and large businesses, philanthropic foundations, and professional associations. On the web at www.FloridaTaxWatch.org.