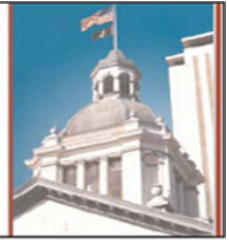


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Capitol Report

Government Affairs and Lobbying



February 24, 2009

Tough Times in Tallahassee
**Florida's 2009
Legislative
Session – All
about Budget
and the Economy**

Session starts March 3 and Florida Republican legislative leaders are facing a difficult



situation with the state's budget as revenues continue to plummet. This Capitol Report talks about the state's budget woes and how that might impact other substantive issues.

*by Rheb Harbison
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Florida's desperate financial status will no doubt preoccupy Florida legislators throughout the 2009 Legislative Session, which begins Tuesday, March 3. The 2009 Regular Session will last for 60 days, or until Friday, May 1.

Florida is a balanced budget state and, under its Constitution, expenditures cannot exceed revenues. This has resulted in a topsy-turvy effort since July 1 to manage the current year budget, as the state's revenues continue to decline through the worst

economic slump the state has seen in decades.

Revenues budgeted, but not realized, at the mid-point of the current fiscal year totaled about \$2.3 billion, forcing the Legislature into a January Special Session to make deep spending cuts of an equal amount.

Round two may come after the next revenue estimating conference meets and reports out in mid-March; Legislative leaders in both houses do not expect any good news.

They say to expect another revenue deficit of between \$4 and \$6 billion.

The March revenue estimating conference will be used to assess revenues for the balance of the current fiscal year, ending June 30. The panel will also predict revenues expected to flow to the state after the new fiscal year starts on July 1 in order for lawmakers to compile a new budget, their only constitutionally mandated task.

When will it End?

Economists do not expect Florida to begin an economic rebound until deep into 2010, and only after the housing market begins to recover. Florida is expected to be among the last states in the nation to recover from the housing crisis, since it is one among two or three of the nation's hardest hit states in terms of mortgage foreclosures.

Any benefits the state may actually derive from President Obama's economic stimulus package are sketchy at this time. However, Senate Ways and Means Chairman J.D. Alexander (R-Winter Haven) believes they will not be enough to avoid operational cuts in the next budget.

The Senator said last week the practical application of Federal funds in relation to the upcoming state budget would be about \$3 billion per year over the next two years. Even with stimulus dollars, there may be some reductions required.

Alexander said the state has gone about as far as it can go in education and health care cuts, and predicted the Senate will be looking at other areas of state operations, and perhaps even new sources of revenue.

The Potential for Increased Taxes

The business community is rightfully concerned about the Legislature increasing taxes and fees at some level in an attempt to close the revenue gap, notwithstanding the Republican's public rhetoric on taxation. In tough times, the state has historically

imposed new or higher taxes and fees on business to balance the budget.

Both the House and Senate have begun an exercise to review every sales tax exemption currently on the books. This is an effort to identify those exemptions that could be repealed, thus picking up additional state revenues.



Sen. J.D. Alexander said the state has gone about as far as it can go in education and health care cuts, and predicted the Senate will be looking at other areas of state operations. Alexander chairs Ways and Means.

Capitol insiders believe the exercise will not yield enough revenue to make any material difference in the shortfall, partly because, politically, the Republicans will not impose additional sales taxes on the masses; and secondly because the politically palatable repeals will not yield material revenues.

The business community believes this could invite a response to expand the tax base to include a sales tax on services, such as legal, accounting and advertising. Many of those services are currently not the subject of an exemption, but are rather not a taxable transaction under current law.

What Does this Mean for Other Issues?

Poor economic times and shrinking revenues generally cast a dark attitudinal net over an

entire legislative session, with the pressures of budget affecting many, if not most, policy issues. We expect that situation in 2009, and perhaps in 2010.

However, among the substantive issues looming just prior to the session are:

Efforts to Jump-Start the State's Economy

A select committee created by Senate President Jeff Atwater merits attention. The panel is expected to introduce legislation that will create incentives and eliminate impediments to the state's economic recovery and growth, including regulatory relief.

The Select Committee, headed by Senator Don Gaetz (R-Destin), will develop policies that will cause government to function more simply, more transparently, less expensively and more effectively, says Atwater. The Select Committee has been authorized to develop statutory or constitutional proposals.

Workers' Compensation Insurance

The 2009 Legislature is expected to debate an opinion issued by the Florida Supreme Court in relation to workers' compensation insurance where the Court eliminated some of the attorneys' fee reforms enacted in 2003. The 2003 limitations resulted in lower premiums and a general stabilization of workers' compensation insurance in Florida.

In *Murray v. Mariner Health*, 994 So. 2d 1051 (Fla. 2008), the Court held that reasonable attorneys' fees for claimants, when not otherwise defined in the law, must be determined using Rule 4-1.5(b) of the Rules Regulating the Florida Bar.

Bills have been filed in both chambers to reverse the Court decision and clarify the Legislature's intent from 2003.

If the *Murray* opinion is not addressed, workers' compensation premiums will increase in Florida.

Florida CAT Fund and Citizens

The 2009 Legislature will also likely revisit property insurance issues on two fronts, both of which are hotly political: The Florida Hurricane Catastrophic Fund (CAT Fund), and government-owned Citizens Property Insurance Corporation (Citizens).



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Floridians continue to be heavily burdened with paying assessments imposed by the Florida CAT Fund due to the exposure of hurricane property damage in Florida. The CAT Fund is under-funded and does not have sufficient assets to meet its claims payment obligations. We expect the Legislature to consider ways to reduce the CAT Fund's current and future obligations.

The Legislature can also be expected to evaluate the claims-paying capacity, coverages, and rate adequacy of Citizens. In recent prior legislative sessions, Citizens' rates were frozen, for political reasons, and its ability to compete with private insurers was expanded.

The 2009 Legislature may consider lifting the existing rate freeze and increase Citizens' rates over a period of time until they reach actuarial soundness.

State Farm Insurance Company

There will be substantial discussion relating to the decision by State Farm Insurance Company to leave Florida's property insurance market over the next two years. Bills have already been filed to punish the company by attempting to curtail activity in its more profitable automobile insurance line.

Another bill would severely limit the number of property insurance policies the company could drop on an annual basis, essentially elongating the exit plan indefinitely.

These punitive measures are against the backdrop of a more reasoned discussion among legislators about the private market's actual capacity to absorb State Farm's huge base of insureds. Were State Farm to indeed leave the state, its policyholders would be scrambling to find alternate coverage during the 2010 election period – not a good situation if you are a politician running for re-election.

Seminole Indian Gaming Compact

Governor Charlie Crist is calling on the Legislature to approve a 25-year compact between the State of Florida and the Seminole Tribe of Florida. Crist had earlier executed the agreement without legislative approval thus causing the compact to be held invalid by the Florida Supreme Court.

Crist asserts that a valid compact will provide billions of dollars to Florida's schools throughout the duration of the agreement.

Since the compact was approved by the United States Department of the Interior in December 2007, he says, the Seminole Tribe has paid \$75 million to the state, and will pay another \$62.5 million during the remainder of the current fiscal year.

As well, says Crist, the compact can be expected to provide at least \$129.17 million

for education in 2010-11, and at least \$100 million in 2011-12.

Whether the depth of the revenue crisis will compel the generally anti-gambling Republican legislative leadership to accept Governor Crist's arguments are unknown today.

Right now the decision on the gaming compact is purely political. ■



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Rheb has 28 years of progressive senior level experience in lobbying, public affairs, communications, media relations, and marketing in both the public and private sectors. Rheb counsels clients on political action strategy and is also responsible for fund-raising and the activities of the Firm's political action committee, which supports the election of local and state candidates for public office.

Since May he has participated in more than 160 interviews with legislative candidates.

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House Photo on Page 1 by Mark Foley: Speaker Pro Tempore Larry Cretul, R-Ocala, right, with Senate President Jeff Atwater, R-Palm Beach Gardens, left, before members of the media in the Speaker's office Thursday, Feb. 19, 2009, in Tallahassee.