LegisLetter

FLORIDA STATE UNIVERSITY GOVERNMENTAL RELATIONS

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Florida lawmakers are taking this week off in observance of the Passover and Easter holidays. When they return to the Capitol next Monday, there will be just two weeks before the legislative session is scheduled to end on May 2. Within that time, legislative leaders will have to initiate the budget-conference process – whereby an appointed committee of House and Senate members hash out the differences between each chamber's budget – and allow their respective chambers to debate that proposal before passing a blended budget.

As lawmakers move toward "conference," the House and Senate are about $400 million apart, an amount that may be reasonable to reconcile. Once they do so, there should be just a few days for debate before the 72-hour "cooling off" clock begins to tick for passage on a final budget prior to the last day of session.

Among the issues for House and Senate conferees to resolve: How to divide up the $500 million in tax and fee reductions already passed by both chambers (see related story); the House bill that would revise the state-employee pension fund (which has still not had a hearing in the Senate); performance-based funding for state universities; the engineering school issue; higher education textbook affordability; tuition waivers for children of undocumented immigrants; and bills that address public/private partnerships. For more information, please see the Spotlight on Bills section of this newsletter.

Committee hearings on substantive legislation concluded last week, which means that any such bills still requiring further committee hearings are essentially dead for this session. However, it also means that any last-ditch efforts made on behalf of these bills will take place on the full floor of the House or Senate.

As always, please feel free to contact me if you have questions or concerns. I can be reached at **(850) 644-4453 or kdaly@fsu.edu.**

Kathleen

Tax and Fee Considerations

The House and Senate advanced plans that differ in the execution of $500 million in tax and fee reductions for Floridians.

The Senate's plan includes, among other things, a single sales-tax holiday during the coming fiscal year, and allocates monies for improvements to Daytona International Speedway. The House's, meanwhile, includes four sales tax holidays, each pertaining to different categories of merchandise.

Both chambers agree on the traditional and popular tax holiday for back-to-school supplies, but the House also proposes tax-free buying days for hurricane-preparation items, energy-saving appliances and gym memberships.

The House's proposed budget for 2015 also includes a permanent sales-tax exemption for children's car seats and bicycle helmets; an expansion of the tax-credit program for investments in low-income communities; a temporary lifting of the sales tax on cement mixers; a $20 million loan program for TV-production companies; and a plan to reduce the sales tax businesses pay for electricity.

As each chamber works toward this revenue reduction of half a billion dollars – an amount originally recommended by the governor – the Senate Appropriations Committee on Thursday offered a replacement to what's been called the House's "patchwork of awesomeness" (HB 5601) with its own "broad-based" measures.

The Senate committee didn't vote on a replacement bill, though. Instead, it's proposed changes to the House measure were sent on a rather unique Senate committee journey last week – to be eventually returned to the full House, where it is not expected to be warmly welcomed.

The Senate committee's plan centers on a $64 million reduction to the communication-services tax on cable and phone companies. It also includes a tax discount on prepaid phone plans; a 20% reduction in the insurance-premium tax on Florida-based bail bond premiums; and a $700,000 decrease in state revenue.

SPOTLIGHT ON BILLS

HB 5601—Economic Development by Representative Ritch Workman (R – Melbourne), provides numerous tax cuts. Of particular interest to the universities, the bill decreases the sales tax rate on sales of electricity from seven to four percent and increases the gross receipts tax rate on electrical power or energy delivered to a non-exempt retail consumer from two and one-half to five and one-half percent. The new gross receipts tax additional rate will incorporate the existing exemptions from the sales tax in order to make this change revenue neutral to both the state and to taxpayers. These changes will result in an increase in the amount of revenue deposited in the PECO Trust Fund. The bill was amended last week to remove the increase and deposit into the PECO Trust Fund. Additionally, the bill was amended to provide a sales tax holiday from 12:01 a.m. on August 1, 2014 through 11:59 p.m. on August 3, 2014 on clothing and school supplies. The bill was temporarily postponed by the Appropriations Committee last week. A similar bill in the Senate, **SB 712 by Senator Bill Galvano (R – Bradenton)** is now in the Appropriations Committee.

CS/SB 1292 – Postsecondary Education by Senator John Legg (R – Lutz), restructures governance and functionality of online public postsecondary student support services related to libraries, online courses, and online student advising systems.

Specifically, the bill creates the Complete Florida Plus Program within the Innovation Institute at the University of West Florida and transfers the requirements and responsibilities associated with student support services that are currently administered through the Florida Virtual Campus (FLVC) to the new Program. The bill also establishes the Florida Center for Library Automation (Center) and reassigns the duties and resources regarding online library support services that are currently administered by the FLVC to the new Center. Additionally, the bill renames the Complete Florida Degree Program as the Complete Florida Degree Initiative (Initiative) and restructures the related functions under the new program.

The bill reported favorably in the Education Committee and is now in the Appropriations Committee. The House companion, **HB 7165 by Representative Marlene O'Toole (R – The Villages)** is waiting to be heard by the full House.

UPDATE ON BILLS

CS/CS/HB 391 -- Florida Catastrophic Storm Risk Management Center by Representative Bill Hagar (R – Boca Raton), was amended last week to provide that the State Board of Administration shall annually transfer a portion of the investment income from the Florida Hurricane Catastrophe Fund to the Florida Catastrophic Storm Risk Management Center located at The Florida State University. The amount of funding to be transferred shall be the lesser amount of $1 million, or 35 percent of the fund's investment income minus $10 million, as determined by using the most recent fiscal year-end audited financial statements of the Fund. The bill specifies that any funds transferred must solely be used for and consistent with the center's statutory purpose of supporting the state's ability to prepare for, respond to, and recover from catastrophic storms.

Other than the transfer of a portion of the investment income from the Florida Hurricane Catastrophe Fund to the Florida Catastrophic Storm Risk Management Center at The Florida State University, the bill has no fiscal impact on state or local governments.

The bill reported favorably in the Regulatory Affairs Committee last week and is waiting to be heard by the full House. The Senate companion, **SB 482 by Senator Alan Hays (R – Umatilla)** is in the Appropriations Committee.

HB 7157 -- State Group Insurance Program by Representative Jason Broduer (R – Sanford), directs The Department of Management Services (DMS) to establish employee contribution rates for the 2015 plan year that reflect the full actuarial benefit difference between the HMO and the PPO. The PPO contribution rate must be less than the employee contribution level for the 2014 plan year. Consequently, next year employees will be given a choice between paying more for the higher value HMO and paying less, compared to the prior year, for the lower value PPO. Employees will have a choice between richer benefits and greater take-home pay.

The bill adds new products and services to the program by giving DMS broad authority to contract for a wide variety of additional products and services. Employees will be able to purchase these new products as optional benefits. DMS is directed to contract with at least one entity that provides comprehensive pricing and inclusive services for surgery and other types of medical procedures.

Beginning in 2015, DMS is directed to implement a 3-year price transparency pilot project in at least one, but no more than three areas of the state. The purpose of the pilot is to reward value-based pricing by publishing the prices of certain diagnostic and surgical procedures and sharing any savings generated by the enrollee's choice of providers. Participation in the project will be voluntary for state employees.

Beginning in the 2017 plan year, the bill provides that state employees will have health plan choices at four different benefit levels. If the state's contribution for premium is more than the cost of the plan selected by the employee, then the employee may use the remainder to:

- Fund a flexible spending arrangement.
- Fund a health savings account.
- Purchase additional benefits offered through the state group insurance program.
- Increase the employee's salary.

The bill was amended last week to:

- Establish the state employees prescription drug program
- Require DMS to recommend premium alternatives to reflect benefit design and value for the state group health insurance plans and the fully insured HMO plans for both individual and family coverage. The recommended premiums shall reflect the costs to the program for the medical and prescription drug benefits with associated administrative costs and fees.
- Provide 2 full time positions to implement these changes.

The bill reported favorably as amended in the Appropriations Committee. There is no Senate companion at this time.

HB 7173 – Florida Retirement System by Representative Jim Boyd (R – Bradenton, FSU Alum), makes the following changes to the Florida Retirement System (FRS), effective July 1, 2015:

- Increases the vesting period for members enrolled in the pension plan from eight years to 10 years;
- Increases the disability vesting period for all new enrollees from eight years to 10 years;
- Prohibits members initially enrolled in a position covered by the Elected Officers' Class or Senior Management Service Class from participating in the pension plan and requires participation in the investment plan;
- Changes the default from the

pension plan to the investment plan for members who do not affirmatively choose a plan;

- Extends the time period for member's to make a plan selection from the last day of the fifth month after the month of hire to the last day of the eighth month after the month of hire;
- Closes the Senior Management Service Optional Annuity Program to new participants; and
- Prohibits elected officials from joining the Senior Management Service Class in lieu of participation in the Elected Officers' Class.

The bill makes changes to the FRS; however, benefits of current members and retirees are not affected by changes in this bill. Rather, changes included in the **bill only pertain to members initially enrolled in the system on or after July 1, 2015.**

Based on the results of special actuarial studies performed by the Milliman actuarial and consulting firm in 2013, the bill will have no fiscal impact on state or local governments for fiscal year 2014-15. It has a projected positive fiscal impact in fiscal year 2015-16 of $500,000 and a projected negative fiscal impact of $900,000 for all participating entities in fiscal year 2016-17. In fiscal year 2017-18, the bill is projected to have a positive fiscal impact with savings continuing to increase each subsequent year over the period covered by the study for a projected total cumulative savings of $28.6 billion.

The bill reported favorably in the Appropriations Committee last week. The Senate companion, **CS SB 1114 by Senator Simpson Wilton (R – New Port Richey)**, was amended to make the following changes to the FRS, for members initially enrolled in the FRS on or after July 1, 2015:

- Mandates that Elected Officers' Class and Senior Management Service Class members may only join the investment plan;
- Changes the default for members who do not affirmatively choose a plan from the pension plan to the investment plan;
- Closes the Senior Management Service Optional Annuity Program to new members; and
- Changes the vesting period in the pension plan from 8 to 10 years;
- Changes the out of service disability retirement vesting period from 8 to 10 years.

The bill also lowers the employee's contribution rate from 3% to 2% for all members of the investment plan. However, the overall amount transferred into the investment plan member's account remains the same – with an increase in the employer contribution being substituted for the decrease in employee contribution.

The overall actuarial impact of this legislation on the Florida Retirement System is expected to be insignificant in FY 2014-15 and $48.8 million in FY 2015-16.The actuarial impacts for later periods will be determined in the subsequent annual valuations. The bill reported favorably as amended in the Governmental Oversight and Accountability Committee last week.

PCS SB 1666 -- Child Abuse and Child Welfare Services by Senator Audrey Gibson (D – Jacksonville, FSU Alum), makes numerous changes to statutes designed to protect children from abuse and neglect. The bill seeks to improve the quality of child abuse investigations conducted by the Department of Children and Families (DCF) and certain sheriff's offices. The bill increases child welfare expertise in the DCF, improves child abuse investigator qualifications, and creates a consortium of schools of social work to advise the state on child welfare policy. Specifically, the bill:

- Establishes a child protection and child welfare personnel tuition exemption program and sets out the qualifications for obtaining the exemption. The program is for high-performing child protection and child welfare personnel who do not have a master's degree in social work or a certificate in an area related to child welfare.

- Establishes a student loan forgiveness program for child protection and child welfare staff and sets out the qualifications for obtaining the loan forgiveness. Approximately half of all graduates from the state university system have a student loan debt.64 The bill allows the DCF or a lead agency to pay up to $3,000 per year towards the student loan debt as an incentive for degreed social workers to become child protection or child welfare personnel.

- Establishes the Florida Institute for Child Welfare (FICW) and to set forth the purpose, duties, and responsibilities of the institute. The FICW is defined as a consortium of the state's public and private university schools of social work. The FICW is charged to advise the state on child welfare policy, improve the curriculum for social work degree programs, and develop on-the-job training for child protective investigators and child welfare case managers. The bill requires the FICW to provide a report annually by October 1 to the governor, the president of the Senate, and the speaker of the House of Representatives to describe its activities in the preceding fiscal year, present significant research findings and results of other programs, and make specific recommendations for improving child protection and child welfare services.

- Adds child protection and child welfare personnel who meet specified criteria to the list of persons exempted from payment of tuition and fees at a state college or state university under certain circumstances.

- Creates the Florida Institute for Child Welfare within the Florida State University College of Social Work. The purpose of the institute is to advance the well-being of children and families by improving the performance of child protection and child welfare services through research, policy analysis, evaluation, and leadership development. The institute shall consist of a consortium of public and private universities offering degrees in social work and shall be housed within the Florida State University College of Social Work.

- The establishment of the Institute for Child Welfare would have associated costs depending on the structure or the institute. Similar consortiums of Florida universities can cost between $500,000 and $2 million, according to the Florida Board of Governors.

The bill was temporarily postponed in the Appropriations Committee last week. The House companion, **HB 7169 by the Healthy Families Subcommittee** was discussed in the Criminal Justice Impact Conference last week.

CS/CS/CS/SB 612 – Government Contracting by Senator Alan Hays (R – Umatilla), provides that state law preempts and supersedes local ordinances and regulations that give preference to local contractors if a competitive solicitation for personal property uses state funds to pay for 51 percent or more of the total cost. Current law requires agencies and political subdivisions of the state except for counties and municipalities in purchasing personal property through competitive solicitation to give a preference to a vendor whose principal place of business is in Florida. The bill removes counties and municipalities from the exemption on preference requirements, so that counties and municipalities must now comply with legislative preference requirements. The bill requires a political subdivision of the state to disclose in the solicitation document of a competitive solicitation whether payment will come from funds appropriated by the state and the amount or percentage relative to the total cost of the personal property or construction services, if known.

Additionally, the bill requires the Department of Management Services to maintain a vendor complaint list, a suspended vendor list, and a terminated vendor list, which are comprised of vendors identified by state agencies and participating local governments. Agencies must consider the fact of a vendor's status on any of the lists in evaluating competitive solicitations.

Within 30 days after an agency contracts with a vendor, the bill requires an agency to update the Florida Accountability Contract Tracking System website indicating whether the contract was issued to a vendor on one of the lists. The bill reported favorably by the Judiciary Committee last week. The House companion, **HB 801 by Representative Heather Fitzenhagen (R – Ft. Myers),** is now in the Local & Federal Affairs Committee.

CS CS CS HB 1059 – Nursing Education Programs by Representative Cary Pigman (R – Sebring), provides that the state of Florida has a growing nursing workforce shortage and that there is an insufficient number of nursing programs in the state due to strict program requirements established by the Board of Nursing (BON). That year, the Legislature reformed regulation of nursing programs by removing the BON's discretion and rulemaking authority related to approving such programs. Instead the Legislature codified the requirements for becoming an approved program. The law also included an accountability mechanism that required unaccredited programs to be placed on probation for having two consecutive years of national exam passage rates 10 percentage points or more below the national average.

The bill was amended to restrict the accountability measure of exam passage rates to only first-time test takers who take the exam within six months of graduation and requires students who wait more than six months to take the exam to successfully complete a licensure examination preparatory course. It also allows the Board of Nursing to grant a one-year extension for a program that is set for termination due to low licensure passage rates.

Last week, the bill was further amended to provide for the recalculation of passage rates for programs that received transfer students from a terminated nursing program.

The bill reported favorably in the Education Committee and will next be heard by the full House. The Senate companion, **SB 1036 by Senator Denise Grimsley (R – Sebring)** passed out of the Senate on Friday.

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